



**City of Belmont**  
**STANDING COMMITTEE (AUDIT AND RISK)**  
**MINUTES**  
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29 October 2018

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### **ATTACHMENTS INDEX**

**Attachment 1 – Item 11.1 refers**

**Attachment 2 – Item 11.2 refers**

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### **CONFIDENTIAL ATTACHMENTS INDEX**

**Confidential Attachment 1 – Item 11.1 refers**

### **TABLED ATTACHMENTS INDEX**

**Tabled Attachment 1 – Item 10.1 refers**

**Tabled Attachment 2 – Item 11.2 refers**

**Tabled Attachment 3 – Item 11.3 refers**

**\*\*\* Councillors are reminded to retain their  
attachments for discussion with the Minutes \*\*\***

**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, 29 OCTOBER 2018 COMMENCING AT 6.34PM.**

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## MINUTES

### Committee Membership

Cr G Sekulla, JP (Presiding Member)	West Ward
Cr M Bass (Deputy Presiding Member)	East Ward
Cr P Marks, Mayor (Ex-Officio)	East Ward
Cr J Davis	South Ward
Mr R Back	Independent Member

### IN ATTENDANCE

Mr J Christie	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 E Whiteley	Compliance Administrator
Ms S D'Agnone	Governance Officer

### OBSERVER

Cr R Rossi	West Ward
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### GUESTS

Mr P Warr ( <i>arr 6.35pm, dep 6.55pm</i> )	Partner – Audit and Assurance, Grant Thornton
Ms S Gunalan ( <i>arr 6.35pm, dep 6.55pm</i> )	Director, Financial Audit Office of the Auditor General for Western Australia

## **1. OFFICIAL OPENING**

**6.34pm** The Presiding Member welcomed all those in attendance and declared the meeting open.

The Presiding Member invited Cr Davis to read aloud the Acknowledgement of Country. Cr Davis read the Acknowledgement of Country.

*Before I begin I would like to acknowledge the traditional owners of the land on which we are meeting today, the Noongar Whadjuk people, and pay respect to Elders past, present and future leaders.*

## **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 23 JULY 2018  
(Circulated under separate cover)**

**OFFICER RECOMMENDATION**

**MARKS MOVED, DAVIS SECONDED,**

*That the Minutes of the Standing Committee (Audit and Risk) Meeting held 23 July 2018 be confirmed as a true and accurate record.*

**CARRIED 5 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.

**Note**

**Item 11.1 - 2017-2018 Annual Financial Report and Annual Audit Report.** This item was brought forward for discussion after Item 9 for the convenience of the invited guests. Refer to page 7.

**10. INFORMATION ITEMS**

**10.1 INSURANCE AND BUSINESS CONTINUITY REPORT**

**ATTACHMENT DETAILS**

<b>Attachment No</b>	<b>Details</b>
<b>Tabled Attachment 1 – Item 10.1 refers</b>	<a href="#"><u>Insurance Portfolio 2018-2019 Risk and Business Continuity Presentation</u></a>

**Committee Notes**

The Insurance Portfolio 2018-2019 Risk and Business Continuity Presentation included the following:

- Summary of Insurance Renewal Costs 2018/19
- Comparison of Insurance Renewal Costs 2017/18 to 2018/19
- Motor Vehicle Insurance 2014/15 to 2018/19
- Property Insurance 2014/15 to 2018/19
- Public Liability Insurance 2014/15 to 2018/19
- Workers Compensation Insurance 2013/14 to 2018/19
- Total Insurance 2014/15 to 2017/18
- Risk Management Standard
- Certified Standards and Risk
- Certification Audit
- Risk and Projects

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

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

- Marine cargo insurance refers to goods being transported on water.
- The City holds public liability and personal accident insurance which may be applicable for Elected Members, dependent on the circumstances. If a Councillor has an accident on Council property it is possible that the incident will be covered under one of the City's insurances.
- Public liability insurance will cover a person who has an accident on Council property and it is proven that the City was negligent. Where negligence by the City cannot be proven, the accident is not generally the City's responsibility.
- Personal insurance does not refer to motor vehicles but to personal items such as jewellery or spectacles etc.
- Motor vehicle insurance is a specific insurance. Motor vehicle cover is expected to be taken out by the owner of the vehicle.

*Item 10.1 Continued*

- Insurance of gym equipment in the park has been investigated. Signage is considered appropriate and equipment is in good order. Injury due to inattention or misuse would usually be considered the user's fault and would not likely result in a successful claim against the City.
- The City's insurance premiums increase was minimal this year, due in part to the low number of claims made by the City.
- Belmont was the first local government in Western Australia to be awarded the LGIS Diamond Distinction in Safety Award, an award which highlights high standards in the management of Occupation Health and Safety. The WorkSafe and LGIS award considers the overall approach to making sure the workforce is safe.
- There are many advantages in dealing with LGIS rather than standard commercial insurance companies. LGIS is available to the City for advice on potential claims and they have a good understanding of circumstances relating to the local government industry.
- Local governments have the option of shopping around for their insurance needs; however it would be unlikely that the City could find a better workers compensation policy than the one offered through LGIS.
- LGIS has a strong industry focus and has not encountered issues that have arisen in other states.
- The City of Belmont has been focused on risk, considering risk assessment and developing appropriate policies since the mid 1990s. In the last 10-15 years it has had a strong focus on high level risk management processes organisation-wide. Workers out on jobs are now undertaking risk assessments where considered appropriate, in addition to standard Job Safety Assessments.

## 11. ITEMS REQUIRING RECOMMENDATION TO COUNCIL

### Note

Item 11.1 2017-2018 Annual Financial Report and Annual Audit Report. This item was brought forward for discussion after Item 9 for the convenience of the invited guests. Refer to page 4.

6.35pm The Manager Finance departed the meeting.

6.36pm The Manager Finance, Mr Warr and Ms Gunalan entered the meeting.

### 11.1 2017-2018 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	<a href="#">Draft Annual Financial Report</a>
Confidential Attachment 1 – Item 11.1 refers	<a href="#">Report to the Audit Committee from the Auditor</a>

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 : 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.*



*Item 11.1 Continued*

## **PURPOSE OF REPORT**

To provide the Standing Committee (Audit and Risk) with details of the outcomes of the 30 June 2018 year end process and present the draft Annual Financial Report and Audit Report for the period ended 30 June 2018.

## **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 Draft Annual Financial Report and associated Draft Audit Report for consideration and acceptance. Following Standing Committee (Audit and Risk) acceptance the respective reports will be signed and finalised and then presented to Council for inclusion in the Annual Report as part of the November Council meeting process.

## **LOCATION**

Not applicable.

## **CONSULTATION**

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

## **STRATEGIC PLAN IMPLICATIONS**

There are no Strategic Community 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.*

*Item 11.1 Continued*

(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.”*

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*.

Regarding the 2017-2018 financial year the Audit Letter (opinion) will be provided by the Office of the Auditor General (OAG) who have contracted the bulk audit work to be undertaken by Grant Thornton. This is the first financial year in which the OAG have audited local governments with the City of Belmont possibly being the first receiving an audit opinion. As this has involved two auditors in conjunction with looking to early adoption of accounting standards the process has been more time consuming than past audits.

## **OFFICER COMMENT**

Once again the City was presented with a ‘clean’ audit report (opinion), which is to be signed by the auditors following the Annual Financial Report being accepted by the Committee and the Statement by Chief Executive Officer (CEO) to be signed by the CEO (refer [Attachment 1](#)).

A presentation highlighting some key aspects of the report, specifically the ratios, will be provided at the meeting. A report from the auditor highlighting aspects of the audit (refer [Confidential Attachment 1](#)) is also available.

It should also be noted that early adoption of three accounting standards was initially planned as part of the 2017-2018 Annual Financial Report. Due to additional time required from an audit perspective to have the inclusion/impacts properly assessed, the accounting standards will now be adopted as part of the 2018-2019 Annual Financial Report.

*Item 11.1 Continued*

### **FINANCIAL IMPLICATIONS**

The preparation, audit and distribution of the Annual Financial Statements are a statutory obligation. Audit fees are determined by the OAG on a cost recovery basis and are expected to significantly increase in 2017-2018. This has also been impacted by the additional time spent in reviewing the proposed early adoption of three accounting standards.

By not early adopting the three new accounting standards the main impact is that \$1.3M of grant income will now be recognised in 2017-2018 (as opposed to 2018-2019) which also increases the closing balance. There is a nil overall impact from a 2018-2019 budget perspective and the budget will be updated as part of the March Budget Review.

### **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

### **SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

### **Committee Notes**

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

- The Operating Surplus Ratio has reduced due to the Senior Citizens Building being demolished and written off to make way for construction of the new Community Centre Building. Without this, the ratio would be approximately 10%.
- The Office of the Auditor General (OAG) has made the decision to audit the City of Belmont inhouse commencing next year with a copy of their report going to Parliament.
- The OAG appointed Grant Thornton to audit the City of Belmont for the first year of transition only.
- Some local governments contracted out by OAG this year may continue to be contracted out or may be brought inhouse for the OAG to audit.
- There was no particular criteria used by the OAG in determining which local governments will be audited inhouse moving forward.
- The OAG is keen to bring as many local government audits inhouse as possible and has a strong commitment to gaining a better understanding of the challenges facing the local government sector, including remote local governments, and will travel to undertake audits at these local governments.
- It is the OAG's position that City of Belmont audits will be brought inhouse and remain inhouse permanently, unless extenuating circumstances require reconsideration.

*Item 11.1 Continued*

- OAG will consider an annual process to commence next year, which will include notification of auditing fees. The fees will be advised prior to commencement of the audit. OAG operate on a cost recovery basis.
- In the past audit fees may not have reflected the full cost of an audit due to competitive quoting. OAG will incorporate all costs that will need to be recovered.
- OAG carried out inhouse audits on two other metropolitan local governments of a similar size to the City of Belmont, and one regional local government this year. Next year the number will increase substantially.
- OAG audits will be conducted by OAG staff. Whether costs will increase or decrease is yet to be determined. Costs will be assessed at the beginning of the new financial year.
- OAG advised the City of Belmont audit has met the guidelines and standards set by the Department of Local Government, Sport and Cultural Industries (DLGSCI). OAG's role essentially is to audit ratios and any adverse trends that may be identified through the audit process. The City's current audit did not give any cause for concern in regard to adverse trends. The comments made by the Finance Manager through the presentation are considered to be fair and reasonable.
- Mr Warr verified that the City's current audit meets all stipulated requirements.

**OFFICER RECOMMENDATION**

**BASS MOVED, MARKS SECONDED,**

***That the Standing Committee (Audit and Risk) recommend that Council accept the draft Annual Financial Report for the period ending 30 June 2018 (as detailed in [Attachment 1](#)) which will be signed by the CEO for inclusion in the City of Belmont's 2017-2018 Annual Report.***

**CARRIED 5 VOTES TO 0**

**6.55pm The Manager Finance departed the meeting.**

**6.55pm Mr Warr and Ms Gunalan departed the meeting and did not return.**

- Finance costs refer to interest costs associated with borrowings.
- It was noted that the Audit Report made no comment relating to a potential adverse trend in the Operating Surplus Ratio.
- Local governments have previously had the option to go out into the market and 'shop around' for auditing services, however there will now be a monopoly and competition has been removed.

*Item 11.1 Continued*

**6.59pm The Manager Finance returned to the meeting.**

- The City's auditing costs this year are forecast to be double the amount of last year as two sets of costs will be required to be paid, being the contractor costs to Grant Thornton plus the OAG audit costs.
- The City is legislatively required to conform with OAG requirements.

## 11.2 AUDIT PLAN - 2019

### BUSINESS EXCELLENCE BELMONT

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 2 – Item 11.2 refers	<a href="#">Proposed 2019 Audit Plan</a>
Attachment 3 – Item 11.2 refers	<a href="#">2018 Audit Plan</a>
Tabled Attachment 2 – Item 11.2 refers	<a href="#">Audit Plan 2019 Presentation</a>

Voting Requirement	:	Simple Majority
Subject Index	:	19/003 Audit and Risk Committee
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil.
Previous Items	:	28 November 2017
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 2019 Audit Plan (refer [Attachment 2](#)).

#### 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, managed year to year by an Audit Plan. The adopted 2018 Audit Plan is attached for reference (refer [Attachment 3](#)).

*Item 11.2 Continued*

### **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, managed year to year by an Audit Plan. The adopted 2018 Audit Plan is attached for reference (refer [Attachment 3](#)).

### **LOCATION**

Not applicable.

### **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**

There is no policy implications associated with this report.

### **STATUTORY ENVIRONMENT**

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

Regulation 14 of the *Local Government (Audit) Regulations 1996* requires that a compliance audit for the period 1 January to 31 December is completed each year in a form approved by the Minister.

Under the International Standard of ISO 9001:2015 Quality Management Systems, the City is required to conduct a program of internal and external audits to maintain certification of the ISO Standards.

*Item 11.2 Continued*

## **BACKGROUND**

The 2019 Audit Plan is presented to the Standing Committee (Audit and Risk) for endorsement prior to consideration by Council.

## **OFFICER COMMENT**

The 2019 Audit Plan is based on:

- Internal control and legislative compliance
- Statutory audit requirements
- The Internal Audit approach of integrating the Quality, Environment and Occupational Health and Safety management systems with other initiatives implemented by the City (such as Risk, Compliance and Records Management)
- The need to support the City's chosen governance approach
- The requirement to provide a comprehensive solution that can be undertaken with existing resources.

## **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.

## **Committee Notes**

The Audit Plan 2019 presentation included the following:

- Status of 2018 Audit Schedule
- Proposed 2019 Audit Schedule

(Refer [Tabled Attachment 2](#) for further information).

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

- The Procurement Audit will include general procurement and also tendering, purchasing and contract management.



*Item 11.2 Continued*

- OAG will select approximately five to nine local governments to carry out Focus Audits on throughout a specific year. The City of Belmont has just commenced a Focus Audit.
- The OAG will rotate through their focus areas. It is not known how often local government Focus Audits will be conducted throughout the year.
- OAG carry out Focus Audits in state government agencies on a regular basis; however this is the first year they have been dealing with local governments in this context. Evidence seems to suggest that two or three Focus Audits will be undertaken per year, however the City has not been clearly informed.
- OAG audits currently being undertaken will be added to the Audit Schedule and reported retrospectively.

**OFFICER RECOMMENDATION**

**DAVIS MOVED, MARKS SECONDED,**

***That the Standing Committee (Audit and Risk) recommend that Council endorse the City of Belmont 2019 Audit Plan as outlined in [Attachment 2](#).***

**CARRIED 5 VOTES TO 0**

7.34pm The Manager Governance departed the meeting.

7.36pm The Manager Governance returned to the meeting.

**11.3 OPERATIONAL COMPARISON – CCC REPORT INTO HOW CONFLICTS OF INTEREST UNDERMINE GOOD GOVERNANCE - A REPORT ON THE CHIEF EXECUTIVE OFFICER OF THE SHIRE OF HALLS CREEK AND CCC REPORT ON MATTERS OF SERIOUS MISCONDUCT IN THE SHIRE OF EXMOUTH**

**BUSINESS EXCELLENCE BELMONT**

**ATTACHMENT DETAILS**

<b>Attachment No</b>	<b>Details</b>
Attachment 4 – Item 11.3 refers	<a href="#"><u>Report Into How Conflicts of Interest Undermine Good Governance – A Report on the Chief Executive Officer of the Shire of Halls Creek</u></a>
Attachment 5 – Item 11.3 refers	<a href="#"><u>Report on Matters of Serious Misconduct in the Shire of Exmouth</u></a>
Tabled Attachment 3 - Item 11.3 refers	<a href="#"><u>Lessons to be Learnt: Misconduct and Conflicts of Interest at the Shires of Exmouth and Halls Creek – Comparison Report</u></a>

Voting Requirement : Simple Majority  
 Subject Index : 32/001 Operational/Strategic Planning  
 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.*

*Item 11.3 Continued*

## **PURPOSE OF REPORT**

This report presents an assessment of the City's operations in comparison with findings from recent Corruption and Crime Commission (CCC) reports - *Report Into How Conflicts of Interest Undermine Good Governance – A report on the Chief Executive Officer of the Shire of Halls Creek* (refer [Attachment 4](#)) and *Report on Matters of Serious Misconduct in the Shire of Exmouth* (refer [Attachment 5](#)).

The report seeks the Committee's recommendation to Council to receive the reports and forward a copy of this Council report to the Minister for Local Government. The outcomes of this comparison are used to provide for further strategic planning and operational improvements.

## **SUMMARY AND KEY ISSUES**

The operational comparison has reinforced the need to be vigilant and proactive in matters regarding tendering and procurement functions.

The outcome of both investigations demonstrates the need for awareness of elected members and administration staff toward their responsibilities in relation to the Code of Conduct, statutory requirements and compliance with written policies.

Both reports did not find any misconduct findings against any elected member, however in each of the reports it was emphasised that the lack of Council oversight of the CEO and the requirements of the *Local Government Act 1995* contributed to the failure to provide the ratepayers of the respective shires good governance.

## **LOCATION**

Not applicable.

## **CONSULTATION**

Consultation has been undertaken with the Human Resources Manager, Principal Governance and Compliance Advisor, Coordinator Contracts and Tenders and Coordinator Purchasing throughout the Audit process to sample and evidence information on the City's current processes.

## **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.

*Item 11.3 Continued*

## **POLICY IMPLICATIONS**

There are no policy implications associated with this report.

## **STATUTORY ENVIRONMENT**

The key elements of this comparison report are governed by the following sections of the *Local Government Act 1995* –

### **2.7 Role of Council**

*(1) The council –*

- (a) governs the local government's affairs; and*
- (b) is responsible for the performance of the local government's functions.*

*(2) Without limiting subsection (1), the council is to –*

- (a) oversee the allocation of the local government's finances and resources; and*
- (b) determine the local government's policies.*

### **2.10 Role of Councillors**

*A councillor –*

- (a) represents the interests of electors, ratepayers and residents of the district; and*
- (b) provides leadership and guidance to the community in the district; and*
- (c) facilitates communication between the community and the council; and*
- (d) participates in the local government's decision-making processes at council and committee meetings; and*
- (e) performs such other functions as are given to a councillor by this Act or any other written law.*

### **3.1 General Function**

- (1) The general function of a local government is to provide for the good government of persons in its district.*
- (2) The scope of the general function of a local government is to be construed in the context of its other functions under this Act or any other written law and any constraints imposed by this Act or any other written law on the performance of its functions.*
- (3) A liberal approach is to be taken to the construction of the scope of the general function of a local government.*

*Item 11.3 Continued*

#### **5.41 Functions of the CEO**

*The CEO's functions are to –*

- (a) advise the council in relation to the functions of a local government under this Act and other written laws; and*
- (b) ensure that advice and information is available to the council so that informed decisions can be made; and*
- (c) cause council decisions to be implemented; and*
- (d) manager the day to day operations of the local government; and*
- (e) liaise with the mayor or president on the local government's affairs and the performance of the local government's functions; and*
- (f) speak on behalf of the local government if the mayor or president agrees; and*
- (g) be responsible for the employment, management supervision, direction and dismissal of other employees (subject to section 5.37(2) in relation to senior employees); and*
- (h) ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law; and*
- (i) perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO.*

#### **5.103. Codes of Conduct**

- (1) Every local government is to prepare or adopt a code of conduct to be observed by council members, committee members and employees.*

### **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 have been submitted to Council regarding 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
9. City of Perth – Inquiry 2016
10. CCC Report on a Matter of Governance at the Shire of Dowerin July 2017.

It should be noted that these previous inquiries do differ in nature to the current comparison.

*Item 11.3 Continued*

## **OFFICER COMMENT**

This comparison report represents an assessment of the operational processes of the City of Belmont against the findings from the CCC Investigations conducted at the Shire of Halls Creek and Shire of Exmouth as outlined in their respective reports.

The methodology used in assessing the City's rating against the findings raised was through an interview of relevant Officers and internal audit.

The questions posed were in line with the findings of the Shire of Exmouth and Shire of Halls Creek reports focusing on:

1. Management of conflicts of interest
2. Statutory Compliance with Declaration of Interests – Financial
3. Procurement
4. Fulfilment of Council Responsibilities under the *Local Government Act 1995*.

The City believes that the responses presented are an accurate indication 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 of the Shire of Halls Creek and Shire of Exmouth reports.

While it is recommended that priority be given to areas scoring below 5, it is considered equally important to consider all matters contained within the CCC reports and also address those scoring a 5 to scope for potential opportunities for improvement and prevent complacency.

<b>Score</b>	<b>Assessment Criterion</b>
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.

### **1 Issues arising from the Shire of Halls Creek and Shire of Exmouth Reports**

Although separate investigations were carried out on the Shires, there are commonalities in matters investigated.

The City of Belmont's current practices were audited against the matters raised as outlined below.

#### **1.1 Management of Conflicts of Interest**

The CCC found that the CEO at the Shire of Halls Creek did not properly declare a clear conflict of interest during the recruitment process of his partner and the failure to do so prevented the situation from being managed appropriately. Furthermore the true nature of their relationship was not disclosed until the CCC investigation. During the period of employment the CEO also conducted performance reviews and granted pay increases to his partner. Overall the CCC found that the CEO orchestrated every step of the appointment and placed his personal interests ahead of everyone else.

*Item 11.3 Continued*

The CCC in the Shire of Exmouth report found that the presence of a conflict of interest that was not managed effectively led to a financial benefit being obtained by an employee that was not available to all employees.

The Human Resources Manager has stated that the City's current recruitment process ensures that a declaration is made by selection panel members in any instances where there is a potential conflict of interest, either positive or negative. If a conflict is declared and it is considered that it is not possible to manage the impartiality of the particular officer after consideration of all of the circumstance, the relevant person is removed from the recruitment process. The City also ensures that the perception of any conflict is managed. Where a conflict of interest develops through a relationship between two officers within the same team, the conflict is monitored and managed by Human Resources and the appropriate Manager.

Conflict of interest and disclosure requirements are clearly outlined in the City's Code of Conduct. It is clear that the onus is on the individual to declare any conflict of interest with staff awareness of the requirements raised on a regular basis through the City's internal staff Team Brief as well as upon commencement of employment. The Human Resources Policy Manual also outlines the requirement for all employees to abide with the requirements of the Code of Conduct and be particularly familiar with the Code of Conduct in regard to 'matters affecting impartiality', 'financial interest' and 'acceptance of gifts'. The Policy further states: *"The recruitment process must be undertaken in accordance with the Recruitment and Selection Procedures, to ensure organisational policy and legislative requirements are achieved."*

Currently the City also has a 'Process Map – Manage Recruitment' and a 'Work Instruction – Recruitment and Selection' in place to cover the recruitment and selection process. It has been identified that some references need to be updated to reflect the interaction with the Code of Conduct and relevant legislation. Clear reference will also need to be included to cover the management of any potential conflicts of interest within the recruitment and selection process. These updates will be implemented as a priority.

Assessment 4

## **1.2 Statutory Compliance with Declaration of Interests – Financial**

The CCC found that the Shire of Halls Creek CEO failed to lodge annual returns in the prescribed form and did not fulfil his obligations to disclose financial or other interests which conflict or may conflict with the discharge of duties and functions of the office of CEO as follows:

- by not disclosing on the Annual Return each source from which income was received during the return period, including where an office was held, a description of that office; and
- the name of each corporation in which he held a position, including the address and description of that corporation's principal business.

*Item 11.3 Continued*

The City has a documented process for the management of the Annual Return process. The submission of Annual Returns by relevant persons is required by legislation and the City's Code of Conduct. The process is coordinated by the City's Compliance Administrator with memos sent to delegated Officers and Elected Members including examples and instructions on what type of information is required to be declared. The submission of Primary and Annual Returns is the responsibility of the relevant person with significant fines applicable for non-compliance, however regular follow up by Officers is undertaken when required.

An internal audit of Annual Returns submitted by Elected Members and delegated Officers found that declarations of interest for the sample group were consistent over time with the declarations made on the Primary and Annual Returns.

Cross referencing of Declarations of Interest in relation to matters before Council and the discretionary disclosures did not find any inconsistencies.

In addition to the Annual Returns, all Elected Members and members of the Executive Leadership Team are required to complete an AASB124 Related Party Disclosure Declaration. This declaration requires the disclosure by Elected Members and members of the Executive Leadership Team of close family members and any entities in control or joint control with close family members. This is a relatively new requirement for local government being introduced in 2017. Records are then cross referenced to ensure that any required transactions are declared as part of the financial statements in the City of Belmont Annual Report. The AASB process is managed in conjunction with the Annual Return process.

**Assessment 5**

### **1.3 Procurement**

Both reports are critical of the procurement processes and lack of staff understanding and adherence to the statutory requirements for procurement with findings that tenders had been awarded or purchases committed to prior to appropriate Council endorsement. At all times it is necessary to ensure that the procurement process and communications with suppliers is consistent and does not advantage or disadvantage one supplier over others.

The City has a number of policies and procedures outlining the requirements in relation to purchasing and tendering. The existing procedures are aligned with the Western Australian Local Government Association (WALGA) procurement guidelines and tendering model and are more rigorous in some areas eg: the City's Purchasing Policy requires additional quotes for the lower thresholds.

The City's current structure provides for a separation between the formal tender or quotation process and the general procurement functions. The City has documented Process Maps and Work Instructions outlining the tender process until formal contracts have been signed which includes the establishment of evaluation panels and the provision of information to suppliers.

The Internal Audit included questions in relation to the processes in place where the City obtains:

- a) indicative information for the formation of a business case as part of budgetary process
- b) information or services to develop the specifications or scope (may be through formal quotation process) which is to form part of tender or quotation document.



*Item 11.3 Continued*

There are instances where indicative costings are obtained by the City to develop a business case. If this is required the purpose for requesting the costing is explained to the supplier at the time of request, this does not preclude the party being part of the future procurement process. There are also instances where suppliers provide assistance with development of specifications, design or the scope for a tender. This service may have been the subject of a separate tender or quotation process. Where this is necessary the supplier and service provided along with information relating to whether this will preclude that supplier from submitting a tender or not is detailed within the request for tender documentation. This practice was evidenced during the internal audit process.

Procurement is a high risk area and the need for continued vigilance in probity and transparency of processes is paramount. For this reason procurement has been assessed as a 4. The City has recognised this risk and has engaged an external auditor to undertake an audit of the City's procurement and contract administration functions. This audit will commence in November 2018.

Assessment 4

#### **1.4 Fulfilment of Council Responsibilities under the *Local Government Act 1995***

Reflecting the findings of the Shire of Halls Creek and Exmouth, the following Council responsibility areas were assessed:

- a) Council's governance of the CEO
- b) Council's oversight into the allocation of the City's resources and financial affairs.

The Council regularly assess the Performance Criteria through the annual CEO Performance Review process. This is conducted by the Executive Committee and then full Council with input from an external facilitator. Councillors that are newly elected are provided the opportunity to familiarise themselves with the process through initial training with the facilitator. The facilitator mediates the entire performance review process, allowing for any queries to be resolved in the course of the review. An Interim Review is also carried out mid-year by the Executive Committee and then Council. While the conduct of the review itself is led by the facilitator, any internal process or required administration is undertaken by the Human Resources Manager and is outlined, in detail, in the City's process map 'CEO Performance Appraisal Process.'

Contract conditions are reviewed regularly by the Human Resources Manager and the City's lawyers to ensure consistency with regulatory requirements. Changes to clauses for staff contracts are considered by the Executive Leadership Team (ELT). Any change to the CEO contract must be made by Council. The Human Resources Manager participates in the annual public sector survey conducted by the Salaries and Allowances Tribunal and reports regularly regarding the CEO's current entitlements.

The Council has appropriate oversight of the financial affairs and allocation of resources of the City. On a monthly basis the financial accounts are presented to Council. The City has appropriate processes in place controlling the use of credit cards and travel expenses. All staff, including the CEO, are required to complete fortnightly timesheets and leave is approved electronically by the relevant Manager or Supervisor via My Aurion. CEO leave is approved by the Mayor via email exchange with Payroll and then entered and approved through My Aurion.

Assessment 5

*Item 11.3 Continued*

The CCC report on the Shire of Halls Creek states that the investigation would not have uncovered the misconduct of the CEO without people willing to be ‘whistleblowers’. The report reiterates that under the *Corruption Crime and Misconduct Act 2003* protection from liability is afforded to those who are subject to non-disclosure or confidentiality agreements who come forward to the Commission. The City is currently updating the information available to the public in relation to reporting misconduct.

## 2 Conclusion

Of the areas identified through the Reports, the City of Belmont complies or has substantial compliance with all of the findings. This is being assessed using the compliance rate adopted.

Score	Number Assessed at
5	2
4	2
3	0
2	0
1	0
<b>Total</b>	<b>4</b>

Given that these areas are consistently being identified as areas of risk of misconduct by the CCC and the Department of Local Government Sport and Cultural Industries, it is recommended that Council consider all the areas as an opportunity for improvement.

Actions requiring further remediation will be undertaken in consultation with relevant process owners by way of a System Improvement Request, and will be monitored by the Business Improvement Team.

### **FINANCIAL IMPLICATIONS**

There are no financial implications evident at this time.

### **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications associated with this report.

### **SOCIAL IMPLICATIONS**

There are no social implications associated with this report.

*Item 11.3 Continued*

### **Committee Notes**

The Lessons to be Learnt: Misconduct and Conflicts of Interest at the Shires of Exmouth and Halls Creek – Comparison Report Presentation included the following:

- Background – Shire of Halls Creek
- Report Findings – Halls Creek
- Background- Shire of Exmouth
- Report Findings – Shire of Exmouth
- Method
- Comparison Result
- Opportunity for Improvement
- Officer Recommendation

(Refer [Tabled Attachment 3](#) for further information).

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

- An assessment of the City's operations in comparison with findings from Corruption and Crime Commission (CCC) reports is not common practice at other local governments, however the City of Belmont commenced the exercise in 2004 as a proactive approach and as an opportunity for improvement.
- Regional local governments have unique challenges. Staff turnover is considerably higher which leads to knowledge constantly being lost. From a statutory standpoint, many staff do not have local government experience. The *Local Government Act 1995* is a large, prescriptive Act and often staff in regional local governments do not have a good understanding of the requirements.
- WALGA provide a basic suite of templates and models; however a specific checklist for staff selection or details regarding employment practices are not available. DLGSCI provide some guidelines on various matters.
- It is frequently the case that when the City requests WALGA and DLGSCI advice, that there has been inconsistency in the advice received. This is problematic as the City is then required to engage its own legal providers for advice.
- The City has engaged an external auditor to undertake an audit of the City's procurement and contract management functions and this will commence in November. Any recommendations from this audit will be assessed by ELT and implemented if appropriate. In the same way as Opportunities for Improvement, recommendations will always be assessed to ascertain whether they will provide the right outcome for the organisation, and if so will be implemented.

*Item 11.3 Continued*

**OFFICER RECOMMENDATION**

**MARKS MOVED, BASS SECONDED,**

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

- 1. Receive the reports from the Corruption and Crime Commission - Report into how conflicts of interest undermine good governance – A report on the Chief Executive Officer of the Shire of Halls Creek ([Attachment 4](#)) and Report on Matters of Serious Misconduct in the Shire of Exmouth ([Attachment 5](#)).***
  
- 2. Forward a copy of the report “Operational Risk Comparison – Report into how conflicts of interest undermine good governance - A report on the Chief Executive Officer of the Shire of Halls Creek and A Report on Matters of Serious Misconduct in the Shire of Exmouth” to the Minister for Local Government.***

**CARRIED 5 VOTES TO 0**

## 11.4 TERMS OF REFERENCE FOR THE STANDING COMMITTEE (AUDIT AND RISK)

### BUSINESS EXCELLENCE BELMONT

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 6 – Item 11.4 refers	<a href="#">Revised Terms of Reference – Standing Committee (Audit and Risk)</a>
Attachment 7 – Item 11.4 refers	<a href="#">A Guide to Local Government Auditing Reforms – June 2018</a>

Voting Requirement	:	Simple Majority
Subject Index	:	154/007 – Standing Committee
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil.
Previous Items	:	27 September 2016 OCM - Item 12.14 30 October 2017 SC(AR) - Item 11.1
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 to the Standing Committee (Audit and Risk) (refer [Attachment 6](#)) for recommendation to Council for endorsement.

*Item 11.4 Continued*

### **SUMMARY AND KEY ISSUES**

Following changes to the *Local Government (Audit) Regulations 1996* commencing 27 June 2018, amendments to the Terms of Reference for the Standing Committee (Audit and Risk) are required.

### **LOCATION**

Not applicable.

### **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 policy implications associated with this report.

### **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 the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

*Item 11.4 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.]*

*Item 11.4 Continued*

## **BACKGROUND**

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that will enable the Auditor General to audit local government finances and performance.

The changes to the Act have been supported by amendments to the *Local Government (Audit) Regulations 1996*, gazetted on Tuesday, 26 June 2018.

Regulations 9 and 16 of the *Local Government (Audit) Regulations 1996* have been deleted and replaced as follows:

### **9. Performance of audit**

(1) *In this regulation-*

**Australian Accounting Standards** means the standards made and amended from time to time by the Australian Accounting Standards Board continued under the *Australian Securities and Investments Commission Act 2001 (Commonwealth)* section 261.

(2) *An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Commonwealth) section 227A.*

(3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*

(a) *is based on proper accounts and records; and*

(b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*

(i) *the Act; and*

(ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

### **9A. CEO to provide documents to Auditor General carrying out financial audit**

(1) *In this regulation —*

**audit document** means —

(a) *the strategic community plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or*

(b) *the corporate business plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or*

(c) *another plan or informing strategy specified by the Auditor General; or*

(d) *another document specified by the Auditor General.*

(2) *The CEO must provide a copy of an audit document to the Auditor General within 14 days after the Auditor General requests it for the purposes of a financial audit under Part 7 Division 3A of the Act.*



*Item 11.4 Continued*

### **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.*

As notified at the Standing Committee (Audit and Risk) meeting held on Monday, 30 October 2017, the *Local Government Amendment (Auditing) Act 2017* was gazetted on Friday, 27 October 2017 and therefore the Auditor General will now conduct or arrange financial audits for local government and this is applicable to the City of Belmont.

A revision to the Standing Committee (Audit and Risk) Terms of Reference is pertinent to ensure consistency with amended legislation and responsibilities of the Standing Committee (Audit and Risk) (refer [Attachment 6](#)).

The Department of Local Government, Sport and Cultural Industries developed 'A Guide to Local Government Auditing Reforms – June 2018' (refer [Attachment 7](#)) which outlines the amendments made. This document has been used for guidance as the Terms of Reference were reviewed and amended.

*Item 11.4 Continued*

### **OFFICER COMMENT**

The revised Terms of Reference reflect the amendments made to the *Local Government (Audit) Regulations 1996*.

The amendments made to the Terms of Reference are shown by track changes in [Attachment 6](#).

The key changes to the Terms of Reference include:

- Duties and responsibilities - deletion of b, c, d and e as the Office of the Auditor General is now responsible for appointing an auditor
- An additional duty regarding support to the auditor
- A change to the CEO reports review period.

### **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.

### **Committee Notes**

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

- The amendments to the Terms of Reference in 'The Guide to Local Government Auditing Reforms June 2018' is concerning as it infers the Audit Committee is responsible for all financial aspects of the organisation. This is a conflict with how the business model works. It is suggested the recommendation be deferred pending written clarification from DLGSCI.
- It was suggested that the City write to DLGSCI and raise the question of ambiguity in the wording and request a response. WALGA can also be contacted as it could possibly act from an industry viewpoint.
- When the City cannot get clarity on issues from WALGA or DLGSCI, or when information is conflicting, it is necessary to spend funds on legal advice to ensure City Officers and Councillors are covered in all respects.

*Item 11.4 Continued*

**OFFICER RECOMMENDATION**

That the Standing Committee (Audit and Risk) recommend that Council endorse the revised Terms of Reference for the Standing Committee (Audit and Risk) (refer [Attachment 6](#)).

**COMMITTEE RESOLUTION**

**DAVIS MOVED, BASS SECONDED,**

***That the Standing Committee (Audit and Risk) defer the recommendation to adopt the reviewed Terms of Reference for the Standing Committee (Audit and Risk) pending further written advice and information being received from the Department of Local Government, Sport and Cultural Industries and the Western Australian Local Government Association.***

**CARRIED 5 VOTES TO 0**

**12. NEXT MEETING**

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

**13. CLOSURE**

**There being no further business the Presiding Member thanked everyone for their attendance and closed the meeting at 8.09pm.**

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**MINUTES CONFIRMATION CERTIFICATION**

The undersigned certifies that these minutes of the Standing Committee (Audit and Risk) Meeting held 29 October 2018 were confirmed as a true and accurate record at the Standing Committee (Audit and Risk) Meeting held 25 February 2019:

Signed by the Person Presiding: \_\_\_\_\_



PRINT name of the Person Presiding:

**GEORGE SEKULLA**

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