



# Standing Committee (Audit and Risk)

# Minutes

Monday 30 May 2022

**BELMONT**  
CITY OF OPPORTUNITY



# CITY OF BELMONT

## Standing Committee (Audit and Risk)

### Minutes

#### Table of Contents

Monday 30 May 2022

Item	Subject Heading	Page
1	Official Opening.....	5
2	Apologies and leave of absence.....	5
3	Declarations of interest that might cause a conflict.....	5
3.1	Financial interests.....	5
3.2	Disclosure of interest that may affect impartiality .....	5
4	Announcements by the Presiding Member (without discussion) .....	6
4.1	Announcements.....	6
4.2	Declarations by Members who have not given due considerations to all matters contained in the business papers presently before the meeting .....	6
5	Confirmation of Minutes .....	6
5.1	Standing Committee (Audit and Risk) Meeting held 28 March 2022 .....	6
6	Questions by Members on which due notice has been given (without discussion) .....	6
7	New business of an urgent nature approved by the person presiding or by decision.....	6
8	Questions by members without notice .....	7
9	Business adjourned from a previous meeting .....	7
10	Information items .....	7
10.1	2021-2022 Financial Audit.....	7
11	Items requiring recommendation to Council.....	8
11.1	Statutory Reviews - Regulation 5 (Local Government (Financial Management) Regulations 1996) and Regulation 17 (Local Government (Audit) Regulations 1996) .....	8

**12 Next Meeting .....15**  
**13 Closure .....15**

**Confidential Attachments Index**

- Confidential Attachment 10.1.1 – Item 10.1 refers
- Confidential Attachment 10.1.2 – Item 10.1 refers
- Confidential Attachment 11.1.1 – Item 11.1 refers
- Confidential Attachment 11.1.2 – Item 11.1 refers

**Minutes from the Standing Committee (Audit and Risk) held via Microsoft Teams on Monday 30 May 2022 commencing at 6:30 pm.**

# Minutes

## Present

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

## In attendance

Mr J Christie	Chief Executive Officer
Mr B Godfrey	Internal Auditor
Ms V Govender	Manager Finance
Mr M Smith	Manager Information Technology
Mrs M Lymon	Acting Manager Governance
Mr G Dally	Acting Governance and Compliance Adviser
Mrs J Cherry-Murphy	Senior Governance Officer

## Observers

Cr D Sessions	West Ward
---------------	-----------

## Guests

Mr K Neoh (dep. 7.03pm)	Director, Financial Audit, Office of the Auditor General
Ms I Yap (dep. 7.03pm)	Principal Auditor, Financial Audit, Office of the Auditor General
Mr M Chumak (dep. 7.03pm)	Information Systems Representative, Office of the Auditor General
Mr C Palassis (arr. 7.04pm, dep 7.17pm)	Executive Director, Paxon
Mr I Ekins (arr. 7.04pm, dep 7.17pm)	Associate Director, Paxon

# **I Official Opening**

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

The Presiding Member read aloud the Acknowledgement of Country.

## **Acknowledgement of Country**

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

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

## **2 Apologies and leave of absence**

Cr M Bass (absent)  
Ms M Bell (apology)

East Ward  
Director Corporate and Governance

## **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 considerations 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 28 March 2022**

#### **Officer Recommendation**

**Marks moved, Rossi seconded**

That the Minutes of the Standing Committee (Audit and Risk) Meeting held on 28 March 2022 be confirmed as a true and accurate record.

**Carried Unanimously 4 votes to 0**

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

Nil.

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

Nil.

## 8 Questions by members without notice

Nil.

## 9 Business adjourned from a previous meeting

Nil.

## 10 Information items

### 10.1 2021-2022 Financial Audit

#### Attachment Details

Attachment No	Details
Confidential Attachment 10.1.1 – Item 10.1 refers	FY 2022 COB Entrance Interview Agenda (Confidential matter in accordance with <i>Local Government Act 1995</i> Section 5.23(2)(f))
Confidential Attachment 10.1.2 – Item 10.1 refers	FY 2022 COB Planning Summary (Confidential matter in accordance with <i>Local Government Act 1995</i> Section 5.23(2)(f))

Representatives from the Office of the Auditor General presented a Planning Summary for the FY 2022 annual financial audit which included:

1. Significant aspects of this year's audit.
2. Audit approach.
3. Key requirements and schedule for providing Information.

## 11 Items requiring recommendation to Council

### 11.1 Statutory Reviews - Regulation 5 (Local Government (Financial Management) Regulations 1996) and Regulation 17 (Local Government (Audit) Regulations 1996)

#### Attachment details

Attachment No and title	
1.	CONFIDENTIAL - 220506 Co B Regulation 5 Final Report (Confidential matter in accordance with Local Government Act 1995 section 5.23(2)(h)) [11.1.1 - 12 pages]
2.	CONFIDENTIAL - 220506 - Co B Regulation 17 Final Report (Confidential matter in accordance with Local Government Act 1995 section 5.23(2)(h)) [11.1.2 - 14 pages]

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	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Executive Services

#### Council role

- Advocacy** When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive** The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative** Includes adopting local laws, local planning schemes and policies.
- Review** When Council reviews decisions made by Officers.
- Quasi-Judicial** When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.



## **Purpose of report**

The purpose of this report is to provide the Standing Committee (Audit and Risk) with the results of the Chief Executive Officer's (CEO's) reviews of appropriateness and effectiveness of systems and procedures in relation to:

1. Financial management.
2. Risk management.
3. Internal control.
4. Legislative compliance.

These reviews are required under Regulation 5 of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulations 1996*. The reviews are to be undertaken at least once every three financial years.

## **Summary and key issues**

The reviews were conducted on behalf of the CEO by an independent auditor Paxon Business and Financial Services Pty Ltd (Paxon).

Paxon's reports indicated numerous areas of strength, and some low-risk findings were identified as the following:

1. Financial management policies are not reviewed as scheduled within the Policy Manual.
2. Some end of period reconciliations do not contain evidence of who prepared and reviewed the reconciliations or the date of preparation and review.
3. One instance where the payment process was not adhered to.
4. Key documents require review in the areas of risk and legislative compliance.
5. Improvements required for the risk management framework.
6. Plan to be developed for implementation of a new Integrity Framework.
7. Anonymity required for callers on a whistleblowing hotline.

As outlined in the reports (Confidential Attachments 11.1.1 and 11.1.2), these matters are being addressed by the relevant Officers.

## **Location**

Not Applicable

## **Consultation**

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

## Strategic Community Plan implications

In accordance with the 2020 – 2040 Strategic Community Plan:

### Goal 5: Responsible Belmont

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

### Policy implications

There are no policy implications associated with this report.

## Statutory environment

### Local Government Act 1995

#### 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

#### 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**

#### 5(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 previous review to address the requirements of Regulation 5 of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulation 1996* were conducted in January 2019.

The current review was completed in May 2022. The Regulation 5 review covered the period from 1 January 2021 to 31 December 2021, and the Regulation 17 review was based on fieldwork over February and March 2022.

## **Officer comment**

The report considered the design and performance of financial management systems to be appropriate, with a high number of areas of strength. Similarly, the operation and processes in the areas of Risk Management, Internal Control and Legislative Compliance was deemed appropriate with a 'Good Practice' rating in many areas. Nonetheless, some low-risk findings were identified as outlined below.

### **Financial Management**

The Regulation 5 review (Confidential Attachment 11.1.1) identified three low-risk findings to be addressed:

#### **Timely review of financial management policies**

The financial management policies under the Council Policy Manual have not been reviewed as scheduled.

The 2020 and 2021 policy review was postponed to allow for a review to be undertaken of both the template and consistency of policy format revisions. To address the matter, a review of the relevant financial policies is to be presented for Council endorsement at the 24 May 2022 Ordinary Council Meeting. A comprehensive review of the policy manual will be carried out in the latter half of 2022. It is anticipated that this finding will be addressed, and the matter closed out by 31 December 2022.

#### **Reconciliation details**

Some reconciliation entries did not contain evidence of who prepared and reviewed the entry, and the date of preparation and review.

To address this finding, procedures will be developed to ensure reconciliations are compiled and reviewed by the Finance Coordinator on a monthly basis. It is anticipated that this matter will be addressed immediately, and the matter closed out by 31 May 2022.

#### **Invoice approval**

It is recommended that the Finance process for authorisation of invoices be recommunicated and a follow up be carried out to ensure all invoices are paid on a timely basis. This matter will be addressed immediately, and the matter closed out by 31 May 2022.

It is noted that the report also outlined a number of strengths and improvements for consideration. These have been noted and will be incorporated into the City's continuous business improvement initiatives.

## **Risk Management, Internal Control and Legislative Compliance**

The Regulation 17 review (Confidential Attachment 11.1.2) identified six low-risk findings to be addressed:

### **Risk Management – Risk Management Improvement Plan**

The report considers that a Risk Management Improvement Plan will facilitate appropriate allocation of resources to gain full benefit of existing risk management measures.

Work in light of the measures outlined in the report is progressing. The target completion date to address the matter is December 2022.

### **Risk Management – Timely review and update of Risk documents**

The Risk related policies under the Council Policy Manual have not been reviewed as scheduled.

The 2020 and 2021 policy review was postponed to allow for a review to be undertaken of both the template and consistency of policy format revisions. To address the matter, a review of the relevant Risk policies is to be presented for Council endorsement at the 24 May 2022 Ordinary Council Meeting. This would address the report finding.

### **Risk Management – Business Continuity Plan update**

The Business Continuity Plan was last reviewed in May 2020 and as such may not include all relevant learnings from the COVID-19 pandemic if not updated on a timely basis.

While it is noted that the Business Continuity Plan was updated in May 2020 in response to the pandemic, further plan updates, training and exercises are scheduled for May 2022 to address this report finding.

### **Internal Control – Integrity Framework**

A formal Integrity Framework is to be developed by June 2023 to meet legislative requirements. Lack of a comprehensive integrity framework increases the risk of fraud and non-compliance with the *Public Sector Management Act*.

To address the requirement, an Integrity Framework for the City of Belmont is being developed in accordance with the Public Sector Commission's toolkit to meet the June 2023 deadline.

### **Internal Control – Misconduct Reporting processes**

It is recommended that a whistleblowing hotline is established to allow anonymity. There is some likelihood that whistleblowers may be deterred from coming forward if they do not have assurance of anonymity.

A whistleblowing hotline and any other option to assist with anonymity will be further considered to address this recommendation. It is intended that this will be addressed by 30 September 2022.

### **Legislative Compliance – timely review and update of Legislative Compliance documents**

As with other policies in the Council Policy Manual identified in the report, the Compliance Management Policy and Risk Register/Action Plan has not been reviewed as scheduled.

A minor review of the Compliance Management Policy within the Council Policy Manual is to be presented at the 24 May 2022 Ordinary Council Meeting for endorsement; a comprehensive review of the Policy Manual will occur in the latter half of 2022. A review of the Action Plan and Risk Register is currently underway and is expected to be completed by mid-August 2022. This aspect of the audit finding is expected to be closed out by 31 December 2022.

### **Conclusion**

In summary, this is a good result for the City of Belmont as a number of areas of strength were identified and there is agreement that all recommendations offered can be practically addressed in a timely manner.

Paxon's findings will be recorded in an action log for management and Standing Committee (Audit and Risk) reporting purposes.

### **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.

Representatives from Paxon gave an overview of the Regulation 5 and Regulation 17 Audits.

## Officer Recommendation

### Marks moved, Rossi seconded

1. Receive the report (Confidential Attachment 1) on the review of appropriateness and effectiveness of the City of Belmont financial management systems and procedures in accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996; and
2. Receive the report (Confidential Attachment 11.1.2) on the review of appropriateness and effectiveness of the City of Belmont systems and procedures in relation to:
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliancein accordance with Regulation 17 of the Local Government (Audit) Regulations 1996; and
3. Note the City of Belmont Management Comments outlined in Confidential Attachments 11.1.1 and 11.1.2 as actions to be undertaken in response to the review findings.

**Carried Unanimously 4 votes to 0**

## 12 Next Meeting

The next meeting of the Standing Committee (Audit and Risk) will be held on **Monday, 25 July 2022** commencing at 6.30pm.

## 13 Closure

**There being no further business, the Presiding Member thanked everyone for their attendance and closed the meeting at 7.18pm.**

This page  
has purposely  
been left  
blank