

TOWN OF BASSENDEAN

MINUTES

AUDIT AND GOVERNANCE COMMITTEE

**HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN
ON WEDNESDAY 13 NOVEMBER 2019, AT 5.30PM**

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Director Corporate Services opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

2.0 NOMINATION FOR PRESIDING AND DEPUTY PRESIDING MEMBERS

As membership of community members will expire at the end of the year, it was suggested that consideration of a Presiding Member and Deputy Presiding Member be deferred until new members for the 2019/21 term have been appointed.

That being the case, it was agreed that an interim Presiding Member and Deputy Presiding member be appointed for this meeting and any other additional meetings held in 2019.

The Director Corporate Services conducted the election of the Presiding Member under delegated authority of the Chief Executive Officer. One nomination was received for Cr Hilary MacWilliam. The Director Corporate Services declared Cr Hilary MacWilliam elected as Presiding Member.

The Presiding Member conducted the election of the Deputy Presiding Member. One nomination was received for Cr Kathryn Hamilton. The Presiding Member declared Cr Kathryn Hamilton elected as Deputy Presiding Member.

3.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

Present

Cr Hilary MacWilliam, Presiding Member
Cr Kathryn Hamilton, Deputy Presiding Member
Cr John Gangell
Ian Walters

Staff/Consultants

Paul White, Director Corporate Services
Natalie Ong, Manager Strategy & Governance
Diane Depiazz, Manager Finance
Anne Cheng, Moore Stephens
Ron Back, Financial Advisor
Amy Holmes, Minute Secretary

Apologies

Cr Renee McLennan – Leave of Absence
Peta Mabbs, CEO

4.0 DEPUTATIONS

Nil

5.0 CONFIRMATION OF MINUTES

5.1 Audit and Governance Meeting held on 7 August 2019

COMMITTEE/OFFICER RECOMMENDATION – ITEM 5.1

MOVED Ian Walters, Seconded Cr Hamilton, that the minutes of the Audit and Governance Committee meeting held on 7 August 2019, be confirmed as a true record.

CARRIED UNANIMOUSLY 4/0

6.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

7.0 DECLARATIONS OF INTEREST

Nil

8.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

Nil

9.0 REPORTS

9.1 Update on Internal Audit Activity from Anne Cheng, Moore Stephens (WA) Pty Ltd

Please note, this is a standing item on the Audit and Governance Committee Agenda, to enable updates from Council's Internal Auditor.

Assurance Plan for 2019-2020

Council endorsed the Assurance Plan for 2019-2020 at the OCM on 27 August 2019 which specified a Payments Audit for 2019-2020.

Proposed Audit of Accounts Payable and Purchasing

The objectives of the proposed audit are to evaluate the Town's management systems, policies and procedures with respect to Accounts Payable and Purchasing.

The scope of the audit is:

- Approval and appropriate delegation of authority over invoice processing and procurement activities;
- Detailed testing of purchasing activity for compliance to the Town's Purchasing Policy and relevant legislative requirements;
- Evaluation of the appropriateness and effectiveness of key internal controls which ensure appropriate segregation of duties, accuracy and completeness of transactions and recordkeeping;
- Adequacy of system automated controls within the Accounts Payable and Purchasing modules of the ERP system;
- Adequacy of controls around update of supplier master data file;
- Adequacy of purchasing via corporate purchasing cards, including the reconciliation procedures; and

- Evaluation of the processes for workflow efficiency and effectiveness for anti-fraud prevention.

This will be an end to end process audit. Auditors will provide any recommendations for efficiencies to streamline processes. It should inform the review of the Procurement and Contract Management Framework. In terms of IT requirements, internal and external audit reports have been provided to Broadreach Consulting.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 9.1

AGC-1/11/19

MOVED Ian Walters, Seconded Cr Hamilton, that the Committee reviews and supports the scope of the audit of Accounts Payable and Purchasing for 2019-2020.

CARRIED UNANIMOUSLY 4/0

9.2 Audited Annual Financial Statements for the year ended 30 June 2019

The Annual Financial Statements for the year ended 30 June 2019 are currently subject to review by the Office of the Auditor General (OAG).

An additional meeting of the Committee will be required to receive the Audited Annual Financial Statements for the year ended 30 June 2019.

On 1 November 2019, the CEO received advice from the EMRC that there is a delay in the finalisation of the audit of the EMRC's Annual Financial Report by the Office of Auditor General (OAG) which may have an impact on Council's audit, specifically relating to the share of the interest in the EMRC.

The situation has arisen due to the late changes to the treatment and presentation of the financial report following changes to accounting policies which the OAG are required to sign off on. As a result, the consequential additional time required meant that the EMRC and the OAG were unable to meet the original targeted EMRC Audit Committee meeting date in early October when the 2018/2019 Annual Financial Report (AFR) was to have been presented, prior to the Local Government elections.

Officers from the EMRC have been working with the OAG and they are committed to 21 November 2019 for the AFR to be tabled before the EMRC's Audit Committee.

They expect the final Independent Auditor's Report to be signed by the Auditor General or her representative and issued, at the earliest, the next day, being 22 November 2019 and latest early the following week.

The EMRC has advised that it has been working with its auditors with a sense of urgency, and regret that this may cause a delay to the Town of Bassendean's audit, and reassures the Town that appropriate discussions are taking place with the OAG to ensure we are not in the same situation again.

The Town of Bassendean's Annual Financial Statements for the year ended 30 June 2019 will be provided to the Committee once the Audit Report is received from the OAG.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 9.2

AGC-2/11/19

MOVED Cr Hamilton, Seconded Ian Walters, that the Audit and Governance Committee meets at 5:30pm on Wednesday 27 November 2019, to receive the Annual Financial Statements for the year ended 30 June 2019.

CARRIED UNANIMOUSLY 4/0

9.3 Audit and Risk Register

APPLICATION

The purpose of this report is to provide the Committee with a log of audit recommendations.

ATTACHMENTS

Attachment No. 1: Audit and Risk Register

BACKGROUND

The Town of Bassendean engaged its internal auditor Moore Stephens to review the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* ("Audit Regulation 17 Review").

The Moore Stephens report, "Review of Risk Management, Internal Controls and Legislative Compliance", was tabled at the Audit & Governance Committee meeting on 7 August 2019.

Recommendation 4.3.1 stated:

“An Audit Log of outstanding audit recommendations should be developed to enable tracking of open items for timely completion. The Audit Log should be presented to each Audit & Governance Committee meeting for oversight by Committee members.”

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked.
	5.1.5 Ensure optimal management of assets	Asset Ratio Benchmarked

STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996, Regulation 17, states:

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.

- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

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

FINANCIAL CONSIDERATIONS

Action required to address some audit recommendations may require the Town to engage external consultants. Any necessary engagements will be governed by the Town's Purchasing Policy and Procurement Guidelines.

COMMENT

The Town reviewed the following internal and external audit reports:

- Moore Stephens Audit of Tenders and Contracts Report for the Town, May 2017;
- Moore Stephens Internal Audit Revenue Report for the Town, March 2018;
- Western Australia Auditor General's Report Number 5 of 2018-18, Local Government Procurement, October 2018;
- OAG Interim Audit Report for the Town - July 2019; and
- Moore Stephens Review of Risk Management, Internal Controls and Legislative Compliance Report for the Town, July 2019.

The Town produced an Audit and Risk Register from the recommendations made in the reports listed above. The Town has added a Management Update, Current Status and Responsible Officer for the Committee's information. The Audit and Risk Register will be updated monthly for tabling at the Administration's Corporate Management Committee.

The Audit and Risk Register will be tabled at each quarterly meeting of the Audit and Governance Committee.

To simplify the information, a more succinct summary and progress report will be provided in future. Staff will develop a report and circulate to committee members for feedback.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 9.3

AGC-3/11/19

MOVED Cr Hamilton, Seconded Ian Walters, that the Committee receives the Audit and Risk Register **and requests Officers develop a more succinct summary and progress report for future meetings.**

CARRIED UNANIMOUSLY 4/0

10.0

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

11.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

Nil

12.0 CONFIDENTIAL BUSINESS

COMMITTEE RECOMMENDATION – ITEM 11.0(a)

AGC-4/11/19 MOVED Cr Gangell, Seconded Cr Hamilton, that the meeting go behind closed doors in accordance with Section 5.23 of the Local Government Act 1995, the time being 6.08pm.
CARRIED UNANIMOUSLY 4/0

Mr Ron Back left the meeting at 6.08pm and did not return.

12.1 Update on Audit Activity

This matter was considered with members of the public excluded from the Chamber under Clause 5.23 (2) (b) of the Local Government Act 1995, as the officer report discusses information of a personal nature.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 12.1

AGC-5/11/19 MOVED Cr Hamilton, Seconded Ian Walters, that the Confidential Officer's report attached to the Audit and Governance Committee Agenda of 13 November 2019, be received.
CARRIED UNANIMOUSLY 4/0

12.2 Contractor Legal Dispute

This matter was considered with members of the public excluded from the Chamber under Clause 5.23 (2) (d) of the Local Government Act 1995, as the officer report discusses legal advice obtained by the Town.

COMMITTEE/OFFICER RECOMMENATIONS – ITEM 12.2

AGC-6/11/19 MOVED Cr Hamilton, Seconded Cr Gangell, that the Confidential Officer's report attached to Audit and Governance Committee Agenda of 13 November 2019, be received.
CARRIED UNANIMOUSLY 4/0

12.3 Australian Taxation Office Disclosure

This matter was considered with members of the public excluded from the Chamber under Clause 5.23 (2) (a) of the Local Government Act 1995, as the officer report discusses a matter affecting employees.

Cr John Gangell left the meeting at 6.28pm.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 12.3

AGC-7/11/19 MOVED Cr Hamilton, Cr Ian Walters, that the Officer's Report attached to the Audit and Governance Committee Agenda of 13 November 2019, be received.

CARRIED UNANIMOUSLY 3/0

Cr John Gangell returned to the meeting at 6.30pm.

13.0 CLOSURE

The next meeting is to be held on Wednesday 27 November 2019, commencing at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 6.30pm.