

TOWN OF BASSENDEAN

NOTICE OF THE MEETING OF THE

AUDIT AND GOVERNANCE COMMITTEE

Dear Committee Member

The meeting of the Town of Bassendean's Audit and Governance Committee will be held in the Council Chambers, 48 Old Perth Road, Bassendean, on Wednesday 4 November 2020, commencing at 5.30pm.

Ms Peta Mabbs
CHIEF EXECUTIVE OFFICER

28 October 2020

A G E N D A

1.0 DECLARATION OF OPENING; ANNOUNCEMENT OF VISITORS; ACKNOWLEDGEMENT OF COUNTRY

Acknowledgement of Traditional Owners

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

2.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

3.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

4.0 DECLARATIONS OF INTEREST

5.0 PRESENTATIONS OR DEPUTATIONS

6.0 CONFIRMATION OF MINUTES

6.1 Audit and Governance Meeting held on 5 August 2020

OFFICER RECOMMENDATION – ITEM 6.1

That the minutes of the Audit and Governance Committee meeting held on 5 August 2020, be confirmed as a true record.

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

8.0 REPORTS

Item No. 8.1	Audit Risk Register
Property Address (if applicable)	N/A
Landowner/Applicant	N/A
File Ref/ROC	
Previous Council Reports	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
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Confidential Attachment No. 1	Audit Risk Register

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with updated actions since the last meeting of the Committee.

Background

Creation of an Audit Risk Register was a recommendation arising from the 2019 review of 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.

Proposal

For the Audit and Governance Committee to receive the Audit Risk Register and consider the action taken or proposed to address the identified risks.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
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Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

The Audit Risk Register includes findings and recommendations from the interim audit of risks, processes and controls for finance and information systems conducted by RSM and reported to the Town by the Auditor General on 19 August 2020.

The Auditor General identified seven risks arising from the audit of finance systems, including one significant risk: Assessment of new Accounting Standards 15, 1058 and 16. The Town has completed its assessment of the new Accounting Standards and provided its assessment to RSM.

The Auditor General identified eleven risks arising from the audit of information systems, including seven significant risks relating to IT policies and procedures, user management and business continuity. The Town is in the process of addressing these risks, including reviewing its IT policies and procedures and implementing new IT access forms and procedures (including Synergy access). Further details are provided in the Audit Risk Register, attached as a confidential item.

The Town is currently preparing an IT Strategy and four-year implementation plan, scheduled for discussion at a workshop with Councillors on 1 December 2020.

The Audit Risk Register will continue to be updated and provided for each meeting of the Committee.

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. This occurred in 2019.

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Guidelines will govern any required engagements.

Risk Management Implications

If improvement opportunities relating to the identified risks are not progressed, the risks may not be adequately mitigated.

Officer Recommendation – Item 8.1

That the Audit and Governance Committee receives the Confidential Audit Risk Register and notes the action taken or proposed to address the identified risks.

Voting requirements: Simple majority

Item No. 8.2	Interim Audit Report
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	FINM/AUD1
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
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Confidential Attachment No. 2	<ul style="list-style-type: none"> • OAG Interim Audit Letter and Attachment One: Interim Audit Findings • OAG Interim Systems Audit Findings -

Purpose

The purpose of this report is to provide Council, through the Audit and Governance Committee, with the Interim Audit Report for 2019/20 furnished by the Office of the Auditor General, and the management comments provided in response to address the identified risks.

Background

The Auditor General became responsible for the Town's external audit from the 2018/19 financial year. The Auditor General may contract out the audit but maintains overall responsibility for the audit and the audit opinion. The Auditor General has appointed RSM Australia (RSM) as the Town's auditors for the next three years.

RSM conducted the interim audit for 2019/20 and is currently completing the annual financial audit for the Town, with oversight and final audit sign off by the Auditor General. The interim audit included an audit of risks, processes and controls for finance and information systems.

RSM and the Town agreed on the Audit Planning Memorandum in June 2020, which details the proposed approach by RSM. The APM was tabled at the meeting of the Committee on 3 June 2020.

RSM conducted the interim audit in June 2020. The focus of the audit was to:

Evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to out audit of the annual financial report.

The Auditor General provided the Interim Audit Report on 19 August 2020, which identified some deficiencies in internal control, assessed as having significant, moderate or minor implication. The Interim Audit Report includes management comments on the remedial action taken or proposed to address the identified risks, provided to RSM by the Town in response to the findings.

The Interim Audit Report, with management comments, are confidential attachments to this report. Given the time between completion of the interim audit and this meeting of the Committee, the Town sent the Interim Audit Report to Committee members by email on 31 August 2020.

Proposal

That the Audit and Governance Committee receives the Interim Audit Report for 2019/20 and notes the findings and recommendations, and the management comments on the remedial action taken or proposed to address the identified risks.

Communication and Engagement

The Town and RSM engaged in regular communication during the conduct of the interim audit and in relation to draft findings, recommendations and management comments.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
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Comment

The findings and recommendations from the interim audit are included in the Town's Audit Risk Register, which will continue to be updated and tabled at each meeting of the Committee.

The late conduct of the interim audit in June 2020 placed considerable strain on the Town's limited finance resources. The Town had a Finance Manager and a Finance Officer (part-time) available to assist the auditors, while also managing the Town's normal finance functions. Conduct of the interim audit in June required these officers to support the audit function at the same time as preparation of the Town's annual budget, which was, in turn, affected by uncertainty arising from the COVID-19 pandemic.

The late conduct of the Interim Audit contributed to a delay in finalising and adopting the Town's 2020/21 Annual Budget and a delay in completing the 2019/20 Financial Report.

Staff propose to work with RSM over the coming months with a view to having the interim audit for 2021 completed in April or May.

Statutory Requirements

Section 7.2 of the *Local Government Act 1995* states:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government. The Local Government Act 1995 and the Local Government (Audit) Regulations 1996 govern the annual audit requirements for local government.

Financial Considerations

Funding to meet the costs associated with the 2020 interim audit exists in the 2020/21 annual budget. Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required.

Risk Management Implications

Nil.

Officer Recommendation – Item 8.2

That the Audit and Governance Committee recommends that Council receives the Interim Audit Report for 2019/20 and notes the findings and recommendations, and the management comments on the remedial action taken or proposed to address the identified risks.

Voting requirements: Simple majority

9.0 **MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

10.0 **ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING**

11.0 **CONFIDENTIAL BUSINESS**

Item No. 11.1	Investigation for Failure to Lodge a Primary Return
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
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Attachment	Nil

This matter is to be 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.

Item No. 11.2	Request for Rate Exemption
Property Address (if applicable)	
Landowner/Applicant (if applicable)	
File Ref/ROC	
Previous Council Reports (if applicable)	
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
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Attachment	Nil

This matter is to be considered with members of the public excluded from the Chamber under section 5.23(2)(b) of the Local Government Act 1995, as the officer report discusses information of a person nature.

Item No. 11.3	Appointment of Officer
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
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Attachment	Nil

This matter is to be considered with members of the public excluded from the Chamber under section 5.23(2)(b) of the Local Government Act 1995, as the officer report discusses information of a person nature.

12.0 CLOSURE

An additional meeting of the Audit and Governance Committee is proposed for to be held on **Wednesday 2 December 2020**. This purpose of the meeting is to receive the Audited Financial Report for 2019/20.

Meetings dates for 2021 are proposed as follows and are to be endorsed by Council at its meeting to be held on 24 November 2020:

10 March, 9 June, 11 August and 10 November – 5:30pm.