

TOWN OF COTTESLOE



AUDIT COMMITTEE MINUTES

**MAYOR'S PARLOUR, COTTESLOE CIVIC CENTRE
109 BROOME STREET, COTTESLOE
5.00PM, TUESDAY 13 MARCH 2018**

**MAT HUMFREY
Chief Executive Officer**

13 March 2018

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1. DECLARATION OF MEETING OPENING / ANNOUNCEMENT OF VISITORS

Cr Rodda declared the meeting open at 5.00pm.

2. ATTENDANCE**Committee Members Present**

Cr Mark Rodda	Presiding Member, Elected Member
Cr Lorraine Young	Elected Member
Cr Sandra Boulter	Elected Member
Ms Vicky Van Heerden	Community Representative
Prof David Gilchrist	Community Representative

Officers Present

Mr Mat Humfrey	Chief Executive Officer
Mr Garry Bird	Deputy Chief Executive Officer
Mr Wayne Richards	Finance Manager
Ms Janet Hancock	Casual Governance Officer

Apologies

Ms Elizabeth Nicholls	Acting Governance Coordinator
Mr David Tomasi	Auditor, Moore Stephens Pty Ltd

3. DECLARATION OF INTERESTS

David Gilchrist declared a Impartiality Interest as a previous employee of the Auditor General's Office (Resigned December 2017).

4. CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

Moved Cr Young, seconded Cr Rodda

The Minutes of the meeting of the Audit Committee held on 15 November 2017 were confirmed.

Carried 4/1

For: Crs Rodda and Young, Prof Gilchrist and Ms Van Heerden

Against: Cr Boulter

5. OFFICER REPORTS

5.1 2017 COMPLIANCE RETURN AUDIT

File Ref:	SUB/2455
Attachments:	2017 Compliance Audit Return
Responsible Officer:	Garry Bird, Deputy Chief Executive Officer
Author:	Elizabeth Nicholls, Acting Governance Coordinator
Proposed Meeting Date:	13 March 2018
Author Disclosure of Interest:	Nil

SUMMARY

A recommendation is made to adopt the Compliance Audit Return for 2017 and authorise the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government by the due date of 31 March 2018.

BACKGROUND

Each year the Department of Local Government issues a Compliance Audit Return that covers a sample of legislative provisions required under the provisions of the *Local Government Act 1995*, which is required to be completed by staff and endorsed by Council prior to submission.

STRATEGIC IMPLICATIONS

Priority Area 6	Providing open and accountable local governance.
Major Strategy 6.2	Continue to deliver high quality governance, administration, resource management and professional development.

A high level of statutory compliance is in keeping with major Strategy 6.2.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

Local Government Act 1995 - 7.13 Clause 1 (i) and 2

7.13 Regulations as to Audits

- (1) (a) *requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are –*
 - (i) *of a financial nature or not; or*
 - (ii) *under this Act or another written law.*
- (2) *Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.*

*Local Government (Audit) Regulations 1996 - Regulations 14 and 15***14. Compliance audits by local governments**

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be –*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –*
 - (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) *any additional information explaining or qualifying the compliance audit,**is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
- (2) *In this regulation –*

Certified in relation to a compliance audit return means signed by –

 - (a) *the mayor or president; and*
 - (b) *the CEO.*

*Local Government (Audit) Regulations 1996***FINANCIAL IMPLICATIONS**

There are no perceived financial implications arising from the officer's recommendation.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Senior staff

STAFF COMMENT

The Compliance Audit Return for 2017 has been completed and it is recommended that the Committee recommend to Council its adoption and further, authorise the Mayor and Chief Executive Officer to certify the Return so that it can be forwarded to the Department of Local Government and Communities.

The 2017 Compliance Audit Return has identified no areas of non compliance by the Town of Cottesloe.

VOTING

Simple Majority

COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Cr Boulter

That the Town of Cottesloe Audit Committee recommend to Council the ADOPTION of the 2017 Compliance Audit Return, noting that there are no areas of non compliance, and authorise the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government and Communities by the due date of 31 March 2018.

Carried 4/1

For: Crs Rodda and Young, Prof Gilchrist and Ms Van Heerden

Against: Cr Boulter

5.2 REVIEW OF MANAGEMENT OF INVESTMENTS POLICY

File Ref:	POL/26
Attachments:	Draft Management of Investments Policy
Responsible Officer:	Garry Bird, Deputy Chief Executive Officer
Author:	Elizabeth Nicholls, Acting Governance Coordinator
Proposed Meeting Date:	13 March 2018
Author Disclosure of Interest:	Nil

SUMMARY

To consider the Management of Investments Policy as a result of legislative amendments introduced in May 2017.

BACKGROUND

The Investments Policy was provided to the Audit Committee in November 2017 and it was resolved:

That consideration of this Item be deferred until the next Audit Committee Meeting.

CARRIED

The existing Investments Policy was adopted in October 2009 and was reviewed in 2016. There Investment of Surplus Funds Policy adopted in 2012, duplicates the Investments Policy. It is recommended that both of these Policies be repealed. The Draft Management of Investments Policy has the 'Principles' and 'Issues' information included from the current Investments Policy.

Recent amendments to the *Local Government (Financial Management) Regulations 1996* gazetted on 12 May 2017, prohibits the investment in foreign currency.

This prohibition was not specified in the existing Investment Policy, and for the avoidance of doubt it was recommended by Moore Stephens Pty Ltd that the Policy be amended to reflect the amendment. It should be noted that at no time in recent years has the Town invested funds in a foreign currency.

Other changes included in the Draft Investment Policy are:

- Removal of reference to an investment adviser;
- Change of policy review to be every four years, not annually;
- Monthly report to be provided to Council, not to the Finance and Budget Committee;
- Inclusion of an appendix to explain the Standard and Poors Investment ratings;
- Removal of the Global Credit Framework Ratings, as it is no longer applicable; and
- Other minor edits to reflect the Town's long standing investment practices.

Minor changes (which will be made to all policies) have been made to the format and layout of the Policy. This is to provide a consistent look to the Policy Manual.

STRATEGIC IMPLICATIONS

Priority Area 6	Providing open and accountable local governance
Major Strategy 6.2	Continue to deliver high quality governance, administration, resource management and professional development.

An Investment Policy that is compliant with statutory provisions is in keeping with this major strategy.

POLICY IMPLICATIONS

The officer's recommendation is to replace the current Investment Policy and Investment of Surplus Funds Policy with the attached, reviewed Management of Investments Policy.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

19C. Investment of money, restrictions on (Act s. 6.14(2)(a))

- (1) *In this regulation —*
- authorised institution means —*
 - (a) *an authorised deposit taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or*
 - (b) *the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986;*
 - foreign currency means a currency except the currency of Australia.*
- (2) *When investing money under section 6.14(1), a local government may not do any of the following —*
- (a) *deposit with an institution except an authorised institution;*
 - (b) *deposit for a fixed term of more than 3 years;*
 - (c) *invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;*
 - (d) *invest in bonds with a term to maturity of more than 3 years;*
 - (e) *invest in a foreign currency.*

FINANCIAL IMPLICATIONS

The Town generates approximately \$330,000 or 3.3% of rates in investment income each year, using the Management of Investments Policy to determine these investment decisions.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the Officer Recommendation.

SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the Officer Recommendation.

CONSULTATION

Staff

Moore Stephens Pty Ltd - Auditors

STAFF COMMENT

The Draft Investment policy has been referred to Moore Stephens Pty Ltd for comment with several minor corrections made based on their advice.

VOTING

Simple Majority

COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Cr Boulter

That the Town of Cottesloe Audit Committee recommends to Council:

- 1. To DELETE the Investments Policy and the Investment of Surplus Funds Policy.**
- 2. ADOPT the attached Draft Management of Investments Policy.**

Carried 4/1

For: Crs Rodda and Young, Prof Gilchrist and Ms Van Heerden

Against: Cr Boulter

5.3 REVIEW OF PURCHASING POLICY

File Ref:	SUB/306
Attachments:	Moore Stephens Report on Compliance Draft Purchasing Policy
Responsible Officer:	Mat Humfrey, Chief Executive Officer
Author:	Garry Bird, Deputy Chief Executive Officer
Proposed Meeting Date:	13 March 2018
Author Disclosure of Interest:	Nil

SUMMARY

At the June 2017 Audit Committee Meeting the following Resolution was adopted:

COMMITTEE RESOLUTION

Moved Cr Rodda, seconded Cr Angers

That the Report received from Moore Stephens Pty Ltd in regards to a review of specified purchases be noted and used to inform the review of the Purchasing Policy that include;

- 1. That staff undertake an immediate refresher course on the Town's updated Purchasing Policy*
- 2. That the staff be reminded of the specific requirements of the policy, particularly in regards to verbal quotes received.*
- 3. That the Administration in undertaking its review specifically address;*
 - a. thresholds and record keeping (verbal quotes)*
 - b. exemptions*
 - c. improved reporting back to Council and the Audit Committee about non-compliant/departures.*
- 4. Where the outcome of purchases or engagements are presented to Council, that compliance with the Purchasing Policy be noted in that Report.*

As a result of this Resolution the attached draft policy has been prepared for the consideration of Committee Members.

BACKGROUND

The Town's Purchasing Policy was adopted in 2011, as a result of a fraud matter by a member of staff. The Policy is considered very restrictive in its application to minimise future acts of fraud.

The Policy was amended in 2015 to reflect changes to the *Local Government Act 1995* which increased the threshold for which a tender process needed to be undertaken (with exemptions).

The ability of staff to implement the Policy in practice is proving to be problematic, given the available staff resources and those required to comply with the Policy.

Staff considers it appropriate to have a discussion with the Audit Committee to address this issue in an honest and frank manner and seek direction from Council as to an agreed solution.

Effectively this discussion will revolve around;

1. Endorsing the existing Policy and allocating additional resources to ensure compliance, or
2. Review the Policy and relax its strict requirements to better reflect practices appropriate to the size of the Town of Cottesloe whilst still ensuring the objectives of the Policy are met.

STRATEGIC IMPLICATIONS

Priority Area 6 Providing open and accountable local governance
Major Strategy 6.2 Continue to deliver high quality governance, administration, resource management and professional development.

Purchasing practices that are considered efficient and accountable are considered important to ensure value for money and that public confidence in the Town of Cottesloe is maintained.

POLICY IMPLICATIONS

Purchasing Policy
Purchasing Orders Policy

STATUTORY ENVIRONMENT

Local Government Act 1995
Local Government (Functions and General) Regulations 1996

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this Item, although significant staff resources are required to administer the Policy. These costs are met from existing budget allocations.

STAFFING IMPLICATIONS

Staff resources to administer and implement the Policy are considered significant. The time taken to write a brief, seek quotations and then assess is time consuming and can be quite complex.

SUSTAINABILITY IMPLICATIONS

The Policy contains sustainability purchasing requirements.

CONSULTATION

Moore Stephens Pty Ltd
Town of Cottesloe Staff

STAFF COMMENT

The existing Purchasing Policy is considered by staff to be an example of best practice and the requirement to obtain quotes for all purchases over \$250 and two quotes for purchases between \$250 and \$3,000 is difficult to question from a theoretical perspective.

Where staff finds difficulties in implementing these objectives relate to those purchases of a frequent nature and include;

- Engaging trades to fix relatively minor problems.
- Difficulties in getting companies to provide quotes.
- Time taken to prepare briefs for relatively minor matters.
- Engaging specialist services such as legal services where the exact brief can be difficult to define in the first instance.
- Having preference for companies who are regular suppliers and provide a quality service.

The attached Draft Policy attempts to strike a balance between best practice in purchasing matters and striving to obtain the best possible value for money for all purchases and the administrative burden of complying with the Policy. The draft policy allows for the policy requirements to be varied where in the view of senior management there is a compelling reason to do so.

VOTING

Simple Majority

OFFICER RECOMMENDATION

THAT the Town of Cottesloe Audit Committee recommend to Council the adoption of the attached draft Purchasing Policy.

PROCEDURAL MOTION

Moved Cr Young, seconded Cr Rodda

That Council defer consideration of this item pending further investigation by Officers to provide an analysis of transactions within the prescribed ranges in the Policy and give further consideration to these ranges and the requirement for verbal quotations above \$3,000.

Carried 5/0

5.4 ASSESSMENT OF THE TOWN'S RISK MANAGEMENT PRACTICES

File Ref:	SUB/2400
Attachments:	Town of Cottesloe Risk Management Profile
Responsible Officer:	Mat Humfrey, Chief Executive Officer
Author:	Garry Bird, Deputy Chief Executive Officer
Proposed Meeting Date:	13 March 2018
Author Disclosure of Interest:	Nil

SUMMARY

The Audit Committee is being presented with the assessment of the Town's Risk Management Practices as prepared by administration, for review.

BACKGROUND

In February 2013, Audit Regulation 17 was inserted into the *Local Government (Audit) Regulations 1996*. The new regulation required the Chief Executive Officer to review certain practices undertaken by the local government and provide a report to the Audit Committee for its consideration.

The three areas required to be reported on are, risk management, internal control and legislative compliance. The issues of internal control and legislative compliance are covered by the annual financial audit and compliance audit return process respectively. In essence this left the third field, risk management, to be developed by each local government separately.

STRATEGIC IMPLICATIONS

There are no perceived strategic implications arising from the officer's recommendation.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

STATUTORY ENVIRONMENT

The *Local Government (Audit) Regulations 1996*, specifically regulations 16 and 17, require the Chief Executive Officer to assess the appropriateness and effectiveness of a local government's procedures in relation to risk management amongst other things.

The Chief Executive Officer should provide the results of the assessment to the Audit Committee via a report, which is then reviewed by the Audit Committee and forwarded to the full Council for consideration.

FINANCIAL IMPLICATIONS

There are no perceived financial implications arising from the officer's recommendation. The review of the Town's Risk Assessment was undertaken within existing staff resources and accessing funds 'credited' to the Town by our insurers.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Senior staff

Representatives from Local Government Insurance Services

STAFF COMMENT

There are three main components to risk management, which are;

1. Understanding that there is always a level of risk associated with any operation
2. Setting a level of risk that is acceptable to the organisation; and
3. Assessing activities for the risks associated and ensuring management practices and policies are in place so that the desired level of risk can be maintained.

It's long been acknowledged that there is a level of risk associated with local government operations. This acknowledgement can be demonstrated by the need for local governments to have insurance policies to mitigate the risk they may be exposed to.

There has been two shifts in risk management since the late 1990's. The first shift was towards removing any and all risk where ever possible. This shift started in the late 1990's and has progressed into the early part of this century. In more recent times, there have been several developments, both socially and legally that have allowed a higher level of risk to be accepted.

The recent changes have largely come about for two main reasons. The first is that people defending claims against them have been able to show that all reasonable care had been taken and liability had been avoided. The second is that people have realised there is a cost to removing all risk – both a financial risk and a social risk.

The Town has considered the level of risk it is willing to accept and adopted a risk management policy. The assessment attached looks at our current operations and the level of risk associated with them. The level of risk the Town currently has is within the desired range, however, there are several activities and projects that can be undertaken to further reduce our risk level.

Overall, the risk assessment has not revealed any areas of particular concern and no immediate corrective action is deemed necessary. The projects and plans within the assessment can take place within existing budgets and financial plans without overly impacting our operations.

VOTING

Simple Majority

OFFICER RECOMMENDATION

This item was withdrawn and will be presented to the next Audit Committee Meeting.

5.5 AUDIT COMMITTEE CHARTER

File Ref:	SUB/534
Attachments:	Draft Audit Committee Charter
Responsible Officer:	Garry Bird, Deputy Chief Executive Officer
Author:	Elizabeth Nicholls, Acting Governance Coordinator
Proposed Meeting Date:	13 March 2018
Author Disclosure of Interest:	Nil

SUMMARY

In order to properly define the role of all Council committees staff have prepared Charters relevant to each Committee for consideration.

The Draft Audit Committee Charter is attached for the consideration of the Committee.

BACKGROUND

The Audit Committee Charter was previously adopted by Council on 21 February 2017. Following the October 2017 Council Elections, staff have reviewed the Charter's for all Council Committee's for consistency and clarity.

No significant amendments are recommended for the Audit Committee. There has been some clarification on some of the statutory obligations of a Council Committee, including the format of minutes to ensure compliance with the *Local Government Act 1995*.

STRATEGIC IMPLICATIONS

Priority Area 6	Providing open and accountable local governance
Major Strategy 6.2	Continue to deliver high quality governance, administration, resource management and professional development.

Effective committee procedures and processes are in keeping with this major strategy.

POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

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.*
- (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 him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

FINANCIAL IMPLICATIONS

There are no perceived financial implications arising from the officer's recommendation.

STAFFING IMPLICATIONS

There are no perceived staffing implications arising from the officer's recommendation.

SUSTAINABILITY IMPLICATIONS

There are no perceived sustainability implications arising from the officer's recommendation.

CONSULTATION

Senior staff

STAFF COMMENT

The introduction of a Charter for all Council committees' will improve the efficiency of the committee system and standardise many of their processes. The role of the Audit Committee is defined by the *Local Government Act 1995* and in this respect is different to many of the other committee's of Council whose role is not so specific.

For the purposes of consistency across all Council committees' it is recommended that the Audit Committee also has a charter.

VOTING

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

That the Town of Cottesloe Audit Committee recommend to Council the ADOPTION of the Audit Committee Charter as attached.

PROCEDURAL MOTION

Moved Cr Young, seconded Cr Rodda

That the Audit Committee defer consideration of this item pending a further report from the administration.

Carried 5/0

5.6 CARDNO BIKE PLAN

The information for this report is still being retrieved from archives. it is hoped to be available to table at the meeting.

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Young, seconded Cr Boulter

That the information relating to the history of the *Town of Cottesloe Local Bike Plan 2015-2025* document developed by Cardno be circulated by the end of March 2018 to members of the Audit Committee and that this item be removed from the Audit Committee Agenda, to be reinstated by request of any member of the Committee should they have reason to believe, on review of the circulated information, that matters of concern arise which warrant the consideration of the Audit Committee.

Carried 5/0

6. GENERAL BUSINESS

Nil.

7. MEETING CLOSURE

Cr Rodda declared the meeting closed at 6.35pm.