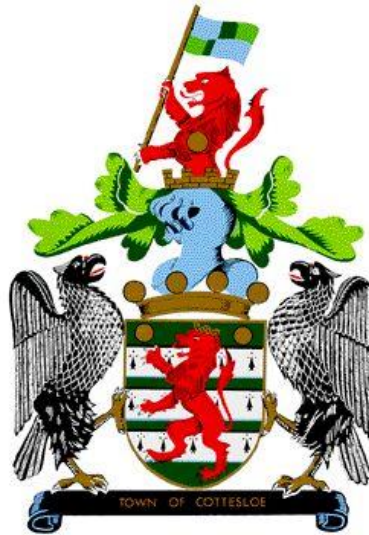


TOWN OF COTTESLOE



AUDIT COMMITTEE

MINUTES

AUDIT COMMITTEE

HELD IN THE

War Memorial Hall, Cottesloe Civic Centre, 109 Broome Street, Cottesloe

4:00pm Wednesday, 9 September 2020

MATTHEW SCOTT
Chief Executive Officer

10 September 2020

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member announced the meeting opened at 4:01pm and read the Acknowledgement of Country.

1.1 ACKNOWLEDGEMENT OF COUNTRY

I would like to begin by acknowledging the Whadjuk Nyoongar people, Traditional Custodians of the land on which we meet today, and pay my respects to their Elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.

2 DISCLAIMER

The Presiding Member drew attention to the Town’s Disclaimer.

3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

The Presiding Member announced that the meeting is being recorded, solely for the purpose of confirming the correctness of the Minutes.

4 ATTENDANCE

Members

Cr Craig Masarei	Presiding Member/Elected Member
Cr Kirsty Barrett	Elected Member
Ms Suzanne Tuite	Community Representative

Officers

Mr Matthew Scott	Chief Executive Officer
Mr Shane Collie	Executive Manager Corporate Services and Governance
Mr Wayne Richards	Finance Manager
Ms Irene Wai Shan Au-Yeung	Assistant Finance Manager
Ms Ann-Marie Donkin	Governance Officer

Visitors

Mr Michael Hoang	Ernst & Young
Ms Alveena Anthony	Ernst & Young

Apologies

Cr Paul MacFarlane	Elected Member
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5 DECLARATION OF INTERESTS

There were no declarations of interest made.

6 CONFIRMATION OF MINUTES

Moved Cr Barrett Seconded Ms Tuite

That the Minutes of the Audit Committee Meeting held on Wednesday 4 March 2020 be confirmed as a true and accurate record.

Carried 3/0

7 PRESENTATIONS

There were no presentations.

8 REPORTS

8.1 REPORTS OF OFFICERS

8.1.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: 8.1.1(a) Interim Audit Results For The Year Ending 30 June 2020 [under separate cover]
Responsible Officer: Shane Collie, Executive Manager Corporate Services and Governance
Author: Wayne Richards, Finance Manager
Author Disclosure of Interest: Nil

SUMMARY

The Interim Audit for the 2019/2020 financial year was undertaken remotely due to the Covid-19 pandemic during the final quarter of 2019/2020. The results of this Audit have now been received from the office of the Auditor General and are attached for Committee Members consideration.

BACKGROUND

The Interim Audit is a process whereby the appointed Auditors and their assistants undertake a review of various financial management and reporting matters. This essentially assists the Auditors with a forming a view of the accuracy etc. of the Annual Financial report, which is further scrutinised after its completion.

The 2019/2020 Interim Audit has identified one issue which is summarised below:

1. Lack of documentation of reasons for purchasing policy variations

Rating: Minor

There is a section on the purchase order form that requires the preparer to record the vendor names and prices for all quotations that were obtained in accordance with the purchasing policy. Where quotations are required by the purchasing policy but were not obtained, the preparer must document the reasons for the variation from the policy.

As a part of the audit test controls across the procurement to payables cycle, the interim audit tests observed 1 out of 40 instances in which a quotation was required by the policy however no quotation was obtained and no reason for the variation from the policy was recorded on the purchase order form.

Staff Comment

Management accepts this finding and has reminded staff to adhere to the policy.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

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.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

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.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

- Town of Cottesloe staff
- Ernst & Young

OFFICER COMMENT

See 'Staff Comment' above.

Generally staff support the comments received during the interim audit process and view this feedback as an opportunity to improve systems wherever possible.

For Noting: The Executive Manager Corporate Services and Governance advised the Committee that the actions undertaken to obtain improvement in this area are as follows:

- An electronic Purchasing System is to be introduced in the coming months which will have an inbuilt check and balance mechanism to ensure compliance is achieved.
- Purchasing thresholds have been amended to reduce the number of quotes required to be obtained for relatively small purchases.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Barrett Seconded Ms Tuite

THAT the Audit Committee recommend to Council that Council:

- 1. NOTE the matters identified in the 2019/2020 Interim Audit Report; and,**
- 2. ENDORSE the actions of staff in responding to the outlined issues.**

Carried 3/0

8.1.2 AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2020

File Ref:	SUB/2791
Applicant(s) Proponents:	Nil
Attachments:	8.1.2(a) Audit Plan for the year ending 30 June 2020 [under separate cover]
Responsible Officer:	Shane Collie, Executive Manager Corporate Services and Governance
Author:	Wayne Richards, Finance Manager
Author Disclosure of Interest:	Nil

SUMMARY

Ernst and Young audit the financial statements of the Town of Cottesloe on behalf of the Office of the Auditor General. The audit plan for the year ended 30 June 2020 is presented.

BACKGROUND

The audit plan has been co-developed with management and is conducted in accordance with the Australian Auditing Standards and practices, to enable the formation of opinions by the Auditor General on the financial statements of the Town.

STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

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.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

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.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

- Town of Cottesloe staff
- Ernst & Young
- Office of the Auditor General

OFFICER COMMENT

That the Audit Committee endorses the Audit Plan for the year ending 30 June 2020 report attached and forward it to Council for its consideration.

VOTING REQUIREMENT

Simple Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Masarei Seconded Cr Barrett

THAT the Audit Committee recommend to Council that Council ACCEPTS the Audit Plan for the year ending 30 June 2020 as attached.

Carried 3/0

8.1.3 CONTRACT MANAGEMENT PLAN

File Ref: SUB/2791

Applicant(s) Proponents:

Attachments: 8.1.3(a) Focus Audit - Local Government Management of Contract Renewals or Extensions and Variations [under separate cover]

Responsible Officer: Matthew Scott, Chief Executive Officer

Author: Shane Collie, Executive Manager Corporate Services and Governance

Author Disclosure of Interest: Nil

SUMMARY

This report responds to findings identified by the Office of the Auditor General (OAG) in respect of Contract Management.

BACKGROUND

The OAG raised three principal findings following visitation to the Town in December 2019. These are as follows:

- Contracts Register Maintenance
- Contractor Performance Evaluation
- Financial Parameters for Contract Renewals, Extensions and Variations

Work has been undertaken to address these findings which are set out on pages 2 and 3 of the attached letter from the OAG received in February 2020.

Additionally there were two other identified matters that were considered to require attention to develop best practice in the Contract and Procurement space. These are:

- Contract Variation Approval Process
- Procurement Conflict of Interest

STRATEGIC IMPLICATIONS

This report is consistent with the Town’s *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

This report is consistent with the Town’s *Corporate Business Plan 2017 – 2021*.

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995.

FINANCIAL IMPLICATIONS

Resource requirements are in accordance with the existing budgetary allocation.

STAFFING IMPLICATIONS

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

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

- Office of the Auditor General.
- Executive Manager Engineering Services

OFFICER COMMENT

While the three areas of concern identified are operational matters it is important for the Audit Committee and Council to note that the processes in place for managing contracts at the Town is accountable, robust and transparent. The suggestions made by the OAG have all been taken on board and implemented to ensure that the management of contracts at the Town is industry best practice and that the likelihood of fraud or error is minimised as best possible.

In addressing the three findings the following has been implemented with detail contained in the attached documentation:

- Contracts Register Maintenance

The Contracts Register is regularly maintained including having a set limit as to when contracts are to be included in the Register.

- Contractor Performance Evaluation

A comprehensive Contractor Performance Evaluation Process has been introduced and is attached.

- Financial Parameters for Contract Renewals, Extensions and Variations

The OAG have recommended that the Delegated Authority Register be updated to include specific delegated authorisation limits for the approval of contract renewals or extensions and variations. Recommendation 2 to this reports seeks to confirm this.

- Contract Variation Approval Process

A Contract Variation Approval Process Template has been developed by the Executive Manager Engineering Services and is attached (last pages).

- Procurement Conflict of Interest

A Procurement Conflict of Interest form has been developed by the Executive Manager Engineering Services and is attached. All Tender or Request for Quotation (RFQ) Panel members will be required to complete this form prior to assessing any competitive Tender or RFQ.

VOTING REQUIREMENT

Absolute Majority

OFFICER AND COMMITTEE RECOMMENDATION

Moved Cr Barrett Seconded Ms Tuite

1. **THAT the Audit Committee note the findings of the Office of the Auditor General and the action taken in respect of Contracts Register Maintenance and Contractor Performance Evaluation.**
2. **THAT the Audit Committee recommend to Council that the Delegated Authority Register (item 1.13) be updated to include specific financial parameters for the approval of contract renewals or extensions and variations to be consistent with the Purchasing Authority limits as set out in Council's Purchasing Policy.**
3. **THAT the Audit Committee note the development of the Contract Variation Renewal Process and the Conflict of Interest form**

Carried by Absolute Majority 3/0

8.2 ITEMS FOR DISCUSSION

Nil

9 GENERAL BUSINESS**9.1 COMMITTEE MEMBERS**

Cr Barratt: Audit Committee Resolution Database – Updates and inclusion in the agenda.

- It was noted this had been omitted from the agenda, in explanation the Governance Officer advised the omission was an error and would be included in future meetings.
- The current Audit Committee Resolution Database is to be circulated with the Minutes for this meeting.

Cr Masarei: City of Perth Report – Tony Powers – Strategic Audit Plans.

Cr Masarei raised this matter and started discussion querying if there is a need for the Town to have a Strategic Audit Plan. This was discussed at some length by the Committee, with the following points made:

- There appears to be no requirement for these in the Local Government Act or Regulations.
- What benefit would such a plan have to a Council the size of Cottesloe?
Specifically:
 - Management and Internal Controls,
 - Risk Management,
 - External Audit,
 - Internal Audit Program.
- Resourcing concerns – could money be better spent?
- Acts and Regulations prescribe the minimum requirements.
- Requested a report back to the committee addressing the following:
 - What are other Local Governments (local/similar size)doing in this regard.
 - What is the Town doing currently to bolster internal reflection/continuous improvement (internal and external controls).
 - Flagging internal issues – which would be better? A spectrum of 3 to 4 options of what management would see as beneficial vs putting together a full 5 year plan.
 - As a starting point, it was agreed by the Committee that the Finance Manager would provide at the next meeting, a list of the different types of reviews/audit requirements that are currently undertaken by the Town, as well as a list of reports that are available.

9.2 OFFICERS

Nil

10 MEETING CLOSED TO PUBLIC

10.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

11 NEXT MEETING

To be advised

12 MEETING CLOSURE

The Presiding Member announced the closure of the meeting at 4:55pm.