

AGENDA

Audit & Risk Committee Meeting

Monday, 6 May 2024

Notice of Meeting

To Mayor & Councillors

A Meeting of the Audit & Risk Committee of the City of Nedlands is to be held on Monday, 6 May 2024 in the Council chambers at 71 Stirling Highway Nedlands commencing at 5.30pm.

This meeting will be livestreamed - [Livestreaming Council & Committee Meetings » City of Nedlands](#)



Daniel MacPherson | Acting Chief Executive Officer
2 May 2024



Information

Audit & Risk Committee Meetings are run in accordance with the City of Nedlands Standing Orders Local Law. If you have any questions in relation to items on the agenda, procedural matters, public question time, addressing the Committee or attending meetings please contact the Executive Officer on 9273 3500.

Public Question Time

Public question time at an Audit & Risk Committee Meeting is available for members of the public to ask a question about items on the agenda. Questions asked by members of the public are not to be accompanied by any statement reflecting adversely upon any Council Member, Committee Member or Employee.

Questions should be submitted as early as possible via the online form available on the City's website: [Public question time | City of Nedlands](#)

Questions may be taken on notice to allow adequate time to prepare a response and all answers will be published in the minutes of the meeting.

Addresses by Members of the Public

Members of the public wishing to address Council in relation to an item on the agenda must complete the online registration form available on the City's website: [Public Address Registration Form | City of Nedlands](#)

The Presiding Member will determine the order of speakers to address the Council and the number of speakers is to be limited to 2 in support and 2 against any item on an Audit and Risk Committee Meeting Agenda. The Public address session will be restricted to 15 minutes unless the Council, by resolution decides otherwise.

Disclaimer

Members of the public who attend Audit and Risk Committee Meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example, by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.



Table of Contents

1. Declaration of Opening	4
2. Present and Apologies and Leave of Absence (Previously Approved)	4
3. Public Question Time	4
4. Address by Members of the Public	4
5. Disclosures of Financial Interest	4
6. Disclosures of Interest Affecting Impartiality	5
7. Declaration by Members That They Have Not Given Due Consideration to Papers	5
8. Confirmation of Minutes	5
8.1. Audit & Risk Committee Meeting Minutes – 22 April 2024	5
9. Items for Discussion.....	6
9.1. ARC09.04.24 – Update from Independent Consultant – Mr Craig Ross	6
10. Date of Next Meeting.....	8
11. Declaration of Closure.....	8



1. Declaration of Opening

In Accordance with section 5.12 and schedule 2.3 division 1 of the Local Government Act 1995 the Acting Chief Executive Officer will declare the meeting open at 5.30pm and will draw attention to the disclaimer on page 2 and will advise that the meeting is being livestreamed and recorded.

2. Appointment of Chair

Due to the council resolution from Ordinary Council Meeting 23 April 2024 item 21.6 NOM17.04.24 that council disband the Audit and Risk Committee and appoint all Elected Members, a new chair will need to be appointed.

Mr MacPherson, Acting Chief Executive Officer will call for nominations for the Chair.

3. Present and Apologies and Leave of Absence (Previously Approved)

**Leave of Absence
(Previously Approved)** Nil.

Apologies None as at distribution of this agenda.

4. Public Question Time

Public questions submitted to be read at this point.

5. Address by Members of the Public

Addresses by members of the public who have completed Public Address Registration Forms to be made at this point.

6. Disclosures of Financial Interest

The Presiding Member to remind Council Members and Staff of the requirements of Section 5.65 of the Local Government Act to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently, a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the



meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

7. Disclosures of Interest Affecting Impartiality

The Presiding Member to remind Council Members and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the Local Government Act. Council Members and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x I disclose that I have an association with the applicant (or person seeking a decision). This association is (nature of the interest).

As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."
The member or employee is encouraged to disclose the nature of the association.

8. Declaration by Members That They Have Not Given Due Consideration to Papers

Members who have not read the business papers to make declarations at this point.

9. Confirmation of Minutes

9.1. Audit & Risk Committee Meeting Minutes – 22 April 2024

The Minutes of the Audit & Risk Committee Meeting 22 April 2024 are to be accepted as a true and correct record of that meeting.



10. Items for Discussion

10.1. ARC09.04.24 – Update from Independent Consultant – Mr Craig Ross

Meeting & Date	6 May 2024
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Craig Ross – Independent Consultant
Acting CEO	Tony Free
Attachments	1. Progress Report – 3 2. Appendix progress report 2 May 2024 – Attachment 1

Purpose

The Independent Consultant will verbally present a report to the Audit and Risk Committee.

Recommendation

That the Audit and Risk Committee receives the report from the Independent Consultant.

Voting Requirement

Simple Majority.

Background

N/A

Discussion

N/A

Consultation

Not applicable.



Strategic Implications

This item is strategically aligned to the City of Nedlands Council Plan 2023-33 vision and desired outcomes as follows:

Vision **Sustainable and responsible for a bright future**

Pillar **Performance**

Outcome 11. Effective leadership and governance

Budget/Financial Implications

There are no budget or financial implications in this report.

Legislative and Policy Implications

Not applicable.

Decision Implications

The Committee will be presented with a report from Mr. Ross.

Conclusion

Mr Ross will present his report to the Committee.

Further Information

Nil.

To	City of Nedlands Audit & Risk Committee
From	Independent Consultant, Craig Ross
Date	2 May 2024
Subject	Progress Report 3

Background

This progress report summarises the remediation status of external audit findings identified by the Office of the Auditor General (OAG) during the audit of the financial report for the year ended 30 June 2023 of the City of Nedlands.

Other progress comments are also included associated with the audit of the financial report for the year ending 30 June 2024.

Progress work (18 April to 2 May 2024)

1. Continuing compilation of a 30 June 2023 City of Nedlands working papers file of underlying supporting accounting records and balance sheet reconciliations from OneCouncil, Authority, SharePoint directories, RSM audit repository portal and other email correspondence.
2. Compilation of the working papers file encompasses review of detailed sub-ledgers and suspense accounts supporting the balance sheet reconciliations including reviewing entries from the prior year legacy system (Authority) to amend incorrect, duplicated, or misclassified transactions.
3. Recruitment of the Coordinator Accounting Services position confirmed with a commencement date of 20 May 2024. The role reports directly to Manager Financial Services with responsibilities including day-to-day financial accounting processes, monthly reporting, compliance with statutory requirements and council policies, drafting 30 June 2024 annual financial report, end of year audit work papers and reconciliations.
4. During the recruitment process for the position above (item 3) a suitably qualified candidate was identified for the Accountant position to support remediating the OAG audit findings as resolved at the 23 April 2024 Ordinary Council Meeting. The appointment process is currently underway.
5. Focussed team established with Technical Services and Financial Services for compilation of an Asset Masterfile, review of the 30 June 2023 infrastructure valuation, and alignment of the infrastructure asset listings and the accounting fixed asset records. The recent Manager Assets resignation and replacement process will have a timing impact on the compilation process and management of asset data.

6. The current remediation status of audit findings identified by the OAG for the year ended 30 June 2023 is summarised in the attached Appendix. The OAG has indicated “Significant” rated findings as having a potential impact on the audit opinion of the financial report.
7. Manager ICT position is currently open. Once the position is filled the remediation status of ICT findings for the year ended 30 June 2023 is to be discussed with the new Manager ICT and comments included in subsequent progress updates.

APPENDIX (2 May 2024 - Progress Report 3)

Summarised findings identified by the OAG during the audit of the financial report for the year ended 30 June 2023

Index of findings	Potential impact on audit opinion	Rating			Summarised findings (30 June 2023)	Summarised proposed action/progress comments (2 May 2024)	Status (2 May 2024)	Person responsible	Completion date
		Significant	Moderate	Minor					
FINANCIAL ACCOUNTING FINDINGS									
1. Review of external valuations	Yes	✓			Multiple fixed assets registers. Infrastructure assets listings assessed for external valuation were incomplete and significant variances exist between the valuer's listing and the accounting fixed asset register.	1. Assets Officer (Technical Services) recruited and taskforce working group established with Financial Services.	Complete	Manager Assets & Manager Financial Services	
						2. Review of 30 June 2023 infrastructure revaluation methodology and key assumptions.	Ongoing	Manager Assets	31-May-24
						3. Review of missing assets in the accounting fixed asset register.	Ongoing	Manager Financial Services	30-Jun-24
						4. Review of 30 June 2023 detailed infrastructure asset listings for completeness, accuracy, asset classification, component grouping, useful lives, depreciation, reconciliation and alignment to accounting fixed asset records.	Substantially Open	Manager Assets & Manager Financial Services	30-Jun to 31-Aug-24
						5. Alignment of multiple fixed asset registers and compilation of Asset Masterfile	Substantially Open	Manager Assets & Manager Financial Services	31-Aug-24
2. Controls regarding the Property, Plant & Equipment and Infrastructure process	Yes	✓			Reconciliations of the fixed assets register and the infrastructure asset register not undertaken. Regular depreciation posting to the general ledger, additions and capitalisation of capital works in progress not processed.	1. Accounting Services Coordinator recruited commencing 20 May 2024. Responsible for day-to-day financial accounting processes and monthly reporting including fixed asset reconciliations.	Complete	Manager Financial Services	
						2. Recruitment of Accountant in progress to support remediation of audit findings and management accounting reporting.	Ongoing	Manager Financial Services	15-May-24
						3. Analyse capital work-in-progress expenditure and cost allocations, process additions, review depreciation calculations from 30 June 2022 to present.	Ongoing	Manager Financial Services	30-Jun-24
						4. Prepare movement schedules and reconciliations of Property, Plant & Equipment and Infrastructure to the underlying registers from 30 June 2022 to present.	Substantially Open	Manager Financial Services	31-Jul-24
3. Supporting documentation for general journals	Yes	✓			Selected manual journals lacked proper explanation and supporting evidence.	Controls introduced March 2024 for manual journals to be appropriately prepared and reviewed with supporting documentation attached.	Complete	Manager Financial Services	
4. Bank signatories	Yes	✓			Former City employees not removed as signatories on a timely basis.	Bank authorising signatures list reviewed and sent to the bank for actioning.	Complete	Manager Financial Services	
5. Balance sheet reconciliations across material account balances	Yes	✓			Lack of month end balance sheet reconciliations between detailed listings and sub-ledgers to the general ledger, and clearing of suspense accounts.	1. Manager Financial Services commenced March 2024. Structured end-of-month balance sheet reconciliation process introduced to be further formalised and embedded in future month ends.	Ongoing	Manager Financial Services	30-Jun-24
						2. Accounting Services Coordinator recruited commencing 20 May 2024. Responsible for day-to-day financial accounting processes, monthly reporting, compliance with statutory requirements and council policies, drafting 30 June 2024 annual financial report, end of year audit work papers, and reconciliations.	Complete	Manager Financial Services	
						3. Continuing compilation of a 30 June 2023 City of Nedlands working papers file of underlying supporting records and balance sheet reconciliations including journal and suspense account analysis.	Substantially Open	Manager Financial Services	30-Jun to 31-Aug-24
6. Understanding new accounting software (TechOne)	Yes	✓			Lack of software understanding, alongside reporting deficiencies, created internal inefficiencies in analysing and reporting financial information.	Manager Financial Services has extensive OneCouncil operational and implementation experience.	Complete	Manager Financial Services	
7. Completeness and accuracy of transactions	Yes	✓			Failure to properly update accruals and prepayment balances and account for transactions within the correct accounting period.	Structured end-of-month balance sheet reconciliation processes established includes accruals and prepayments to be further formalised and embedded in future month ends.	Ongoing	Manager Financial Services	30-Jun-24
8. Matching of debtors against the respective debtor invoices			✓		No invoice and receipts matching within the debtors module. Inaccurate debtors ageing listing.	Debtor invoice/receipts and ageing reports within the debtors module are scheduled for Phase 3 Revenue (Debtors) implementation in OneCouncil. Authority is being replaced by TechOne and currently resources are not allocated to updating procedures specific to Authority.	To be addressed in OneCouncil Phase 3 Revenue(Debtors)	Manager Financial Services	1-Jul-25
9. Ageing of infringement debtors			✓		Lack of aged listing for infringement debtors.	Infringement debtors ageing reports are scheduled for Phase 3 Revenue (Debtors) implementation in OneCouncil. Authority is being replaced by TechOne and currently resources are not allocated to updating procedures specific to Authority.	To be addressed in OneCouncil Phase 3 Revenue(Debtors)	Manager Financial Services	1-Jul-25
10. Capitalisation of infrastructure assets			✓		Capitalisation of new infrastructure assets is undertaken at year end resulting in new infrastructure assets not being depreciated from the point at which they were ready and available for use.	Analysis is underway for capital work-in-progress expenditure and cost allocations, processing additions, and reviewing depreciation calculations.	Ongoing	Manager Financial Services	30-Jun-24
11. Useful life of depreciating assets			✓		Depreciation on the City's property, plant and equipment and infrastructure assets were not in line with the City's accounting policy around the asset's useful lives.	1. Comprehensive review of the fixed asset policy required to accurately reflect the useful lives of all depreciable assets.	Ongoing	Manager Assets & Manager Financial Services	31-Aug-24
						2. Adjustments to the Asset Masterfile and fixed asset register be made to reflect the appropriate useful lives and depreciation rate.	Substantially Open	Manager Financial Services	31-Aug-24

12. Contract variations			✓		Lack of segregation of duties for contract variations and invoice approval.	Policy updates including a separate approval process with different authorising officers be established for the variation or invoice approval process.	Substantially Open	Manager Financial Services	30-Jun-24
13. Underground power receivables			✓		The basis of accounting treatment for the underground power receivables and associated revenue is unclear.	Accounting treatment for underground power levies based on accounting standards and LGA Section 6.38 needs to be documented and confirmed.	Ongoing	Manager Financial Services	31-May-24
14. Manual input of fees and charges for invoicing				✓	The council approved schedule of fees and charges are not locked in the system and are manually input when invoicing.	Locking in approved fees within the debtors module is scheduled for Phase 3 Revenue (Debtors) implementation in OneCouncil. Authority is being replaced by TechOne and currently resources are not allocated to updating procedures specific to Authority.	To be addressed in OneCouncil Phase 3 Revenue(Debtors)	Manager Financial Services	1-Jul-25
15. Record of verbal quotations				✓	For purchases <\$5,000 no record of verbal quotes kept on file.	Procurement policy to be updated and refresher training provided.	Ongoing	Manager Financial Services	30-Jun-24

ICT FINDINGS

16. Privileged Access management	Yes	✓			Risk of inappropriate or unauthorised access.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
17. Authentication	Yes	✓			Deficiencies in multi-factor authentication and managing passwords.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
18. TechOne Access Management	Yes	✓			Lack of periodic TechOne user access reviews for appropriateness.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
19. Authority Access Management	Yes	✓			Lack of periodic Authority user access reviews for appropriateness.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
20. Disaster Recovery Management			✓		DRP not reviewed and tested since 2020.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
21. Network Access Management			✓		Deficiencies in user access management controls for the network.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
22. Network Security Management			✓		Deficiencies in network security management.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
23. Security Incident Monitoring and			✓		Deficiencies in management of security incidents.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
24. Change Management			✓		Change tickets do not clearly state the type of change.	To discuss with new Manager ICT		Manager ICT	30-Jun-24
25. IT governance				✓	IT governance documents to be updated.	To discuss with new Manager ICT		Manager ICT	30-Jun-24



11. Date of Next Meeting

The date of the next meeting of the Audit & Risk Committee Meeting is to be 20 May 2024.

12. Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.