

**MINUTES**

**Audit Committee Meeting**

**Monday 1 July 2024**

**Attention**

**These Minutes are subject to confirmation.**

Prior to acting on any resolution of the Council contained in these minutes, a check should be made of the Ordinary Meeting of Council following this meeting to ensure that there has not been a correction made to any resolution.

**Information**

Audit 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 Governance Officer on 9273 3500.

 **Public Question Time**

Public question time at an Audit 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](https://www.nedlands.wa.gov.au/public-question-time)

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](https://www.nedlands.wa.gov.au/public-address-registration-form)

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 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 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 acting on any matter that they may have before Council.

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**Table of Contents**

[Present Atendees 4](#_Toc170814422)

[1. Declaration of Opening 4](#_Toc170814423)

[2. Present and Apologies and Leave of Absence (Previously Approved) 4](#_Toc170814424)

[3. Public Question Time 4](#_Toc170814425)

[4. Address by Members of the Public 5](#_Toc170814426)

[5. Disclosures of Financial Interest 5](#_Toc170814427)

[6. Disclosures of Interest Affecting Impartiality 5](#_Toc170814428)

[7. Declaration by Members That They Have Not Given Due Consideration to Papers 5](#_Toc170814429)

[8. Confirmation of Minutes 6](#_Toc170814430)

[8.1. Audit Committee Meeting Minutes – 17 June 2024 6](#_Toc170814431)

[9. Items for Discussion 7](#_Toc170814432)

[9.1. ARC19.07.24 Update from Independent Consultant Report 7 7](#_Toc170814433)

[9.2 ARC21.07.24 Update from Independent Consultant – Root Cause Report 10](#_Toc170814434)

[9.3 ARC20.07.24 Update From Moore Australia 14](#_Toc170814435)

[11 Date of Next Meeting 17](#_Toc170814436)

[12 Declaration of Closure 17](#_Toc170814437)

# Present Atendees

**Councillors** Mayor F E M Argyle (attended online from 5.32pm) Hollywood Ward

 Councillor B Brackenridge Melvista Ward

 Councillor R A Coghlan Melvista Ward

 Councillor H Amiry (Presiding Member) Coastal Ward

 Councillor K A Smyth Coastal Ward

**Staff** Ms K Shannon Chief Executive Officer

 Mr M R Cole Director Corporate Services

 Ms L Fitzgerald Manager of Financial Services

 Ms L J Kania Coordinator Governance & Risk

**Consultant** Mr C Ross Independent Consultant

**Public** There were no members of the public present and no members online.

**Press** Nil.

# Declaration of Opening

The Presiding Member declared the meeting open at 5.30 pm and acknowledged the Whadjuk Nyoongar people, Traditional Custodians of the land on which we meet, and pay respect to Elders past, present and emerging. The Presiding Member drew attention to the disclaimer on page 2 and advised the meeting was being livestreamed.

# Present and Apologies and Leave of Absence (Previously Approved)

**Leave of Absence** Mayor Argyle Hollywood Ward

**(Previously Approved)**

**Apologies**

 Councillor B G Hodsdon Hollywood Ward

 Councillor F Bennett Dalkeith Ward

 Councillor Youngman Dalkeith Ward

# Public Question Time

Nil

# Address by Members of the Public

Nil

# Disclosures of Financial Interest

There were no disclosures of financial interest.

# Disclosures of Interest Affecting Impartiality

There were no disclosures affecting impartiality.

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

Cr Smyth – Coastal Ward raised a question as to the attachments to Item 9.1. Attachment 2 had not been circulated to Council on the Councillor portal but was on the public agenda.

**That the meeting adjourn for 3 minutes to provide attachments to Committee Members for consideration**

The meeting adjourned at 5.36 pm and reconvened at 5.39 pm with the following people in attendance:

**Councillors** Mayor F E M Argyle (attended online from 5.32pm) Hollywood Ward

 Councillor B Brackenridge Melvista Ward

 Councillor R A Coghlan Melvista Ward

 Councillor H Amiry (Presiding Member) Coastal Ward

 Councillor K A Smyth Coastal Ward

**Staff** Ms K Shannon Chief Executive Officer

 Mr M R Cole Director Corporate Services

 Ms L Fitzgerald Manager of Financial Services

 Ms L J Kania Coordinator Governance & Risk

**Consultant** Mr C Ross Independent Consultant

# Confirmation of Minutes

## Audit Committee Meeting Minutes – 17 June 2024

Moved – Councillor Coghlan

Seconded – Councillor Brackenridge

**The Minutes of the Audit Committee Meeting 17 June 2024 be confirmed**

**CARRIED UNANIMOUSLY**

 **5/-**

# Items for Discussion

## ARC19.07.24 Update from Independent Consultant Report 7

|  |  |
| --- | --- |
| Meeting & Date | Audit Committee Meeting – 1 July 2024 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under section 5.70 Local Government Act 1995**  | Nil. |
| **Report Author** | Craig Ross – Independent Consultant |
| **CEO** | Keri Shannon |
| **Attachments** | 1. Progress Report - 7
2. Report 7 Appendix
3. Confidential attachment (available for viewing) Discussed at 9.2
 |

**Regulation 11(da) – Not Applicable – Recommendation Adopted**

Moved – Councillor Coghlan

Seconded – Mayor Argyle

**That the Recommendation be adopted.**

**CARRIED UNANIMOUSLY**

**5/-**

**Recommendation**

**That the Audit Committee receives the report from the Independent Consultant.**

**Purpose**

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

**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.

A motion was moved to amend the agenda.

Moved – Cr Coghlan

Seconded – Cr Smyth

**That the motion be adopted**

**That the Committee Agenda be amended to consider the confidential attachment Analysis of factors leading to the disclaimer of opinion on the financial report for the year ended 30 June 2023 (Root Cause Report) from the Independent Consultant as Item 9.2, and the Moore Report be considered as Item 9.3 on the Agenda.**

**CARRIED UNANIMOUSLY**

**5/-**

##  ARC21.07.24 Update from Independent Consultant – Root Cause Report

|  |  |
| --- | --- |
| Meeting & Date | Audit Committee Meeting – 1 July 2024 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under section 5.70 Local Government Act 1995**  | Nil. |
| **Report Author** | Craig Ross – Independent Consultant |
| **CEO** | Keri Shannon |
| **Attachments** | Confidential Attachment - Analysis of factors leading to the disclaimer of opinion on the financial report for the year ended 30 June 2023 (Root Cause Report) – Independent Consultant |

**Regulation 11(da) – Not Applicable**

Moved – Councillor Smyth

Seconded – Councillor Coghlan

**That the Committee Recommendation be adopted.**

**CARRIED UNANIMOUSLY**

**5/-**

**Recommendation**

**That the Council**

1. receives the Report from the Independent Consultant; and
2. considers the implications of the report for ongoing operations.

**Purpose**

The Independent Consultant will verbally present an Analysis of factors leading to the disclaimer of opinion on the financial report for the year ended 30 June 2023 (Root Cause Report) to the Audit Committee.

**Voting Requirement**

Simple Majority.

**Background**

N/A

**Discussion**

The seperate report identifies a number of contributing factors which led to the submission of a financial report to the Auditor without complete and accurate underlying records .

A timeline was compiled by the independent consultant which showed that the City’s executive management did not advise the Mayor or the Council of the decision by the Office of the Auditor General to provide a modified opinion, which was known to them on or about 16 November 2023.

The independent consultant has found given the significance of the decision of the Office of the Auditor General it should have been reported to the Mayor and Council immediately with a full explanation of the implications of a modified opinion. The decision by the Office of the Auditor General to provide a modified opinion, in particular a disclaimer of opinion, was not reported to the Council until late February 2024.

The independent consultant found many of the contributing factors are process and technical in nature, however they are rooted in the following key failings within the financial management processes.

The Audit Committee of the Council failed to:

* Recognise the poor quality of the financial report submitted to the auditor
* Review the financial report prior to auditor submission
* Track execution of the audit fieldwork phases and completion timelines
* Ensure key internal audit findings impacting financial reporting were addressed
* Communicate emerging audit issues to the Council in a timely manner
* Challenge executive management on finance staff turnover reasons and capacity limitations

The City’s executive management failed to:

* Keep proper accounts and records
* Manage internal control to ensure the financial report was free from material misstatement
* Report emerging audit issues in an open and timely manner to Council
* Follow better practice financial reporting and audit readiness guides
* Provide external audit progress reports to the Audit Committee
* Address appropriately the high finance staff turnover and report implications to the Audit Committee
* Monitor directly finance staff performance
* Remediate key internal audit findings impacting the financial reporting process
* Respond accordingly to the change in audit approach when information was not reasonably available

The organisational culture:

* Prevented open communication of unfavourable information
* Allowed mistrust within the hierarchical structure of the Council and the executive management team
* Did not encourage better practice financial reporting processes
* Did not address timely management of inadequate finance staff performance

The report proposes a number of financial reporting specific recommendations for immediate consideration by the Council and the Chief Executive Officer. It is probable a number of the root causes leading to the disclaimer of opinion would have evolved over a number of years. Whilst the scope of this report is limited to the financial reporting and the external audit impact, it is recommended that Council and executive management review the factors contributing to the disclaimer of opinion through an integrated approach across the organisation.

**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 Analysis of factors leading to the disclaimer of opinion on the financial report for the year ended 30 June 2023 (Root Cause Report) from Mr. Ross.

**Conclusion**

Mr Ross will present his report to the Committee.

**Further Information**

Nil.

##  ARC20.07.24 Update From Moore Australia

|  |  |
| --- | --- |
| **Meeting & Date** | Audit Committee 1 July 2024 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under section 5.70 Local Government Act 1995**  | Employee disclosure required where there is an interest in any matter of which the employee is providing advice or a report. |
| **Report Author** | Michael Cole Director Corporate Services |
| **CEO** | Keri Shannon |
| **Attachments** | 1. Moore Australia Agenda Paper ARC Meeting 1 July 2024
 |

Mayor Argyle left the meeting at 7.07pm.

Councillor Smyth raised an issue that the confidential attachment had been removed from the attachment. Director Michael Cole explained that he had removed the confidential attachment without providing an explanation. It was then recommended by council that the item was to be deferred.

**That the item be deferred**

Moved – Councillor Smyth

Seconded – Councillor Brackenridge

**Motion to defer**

**That the Moore report – Audit and Risk Committee meeting agenda paper not be received and be deferred to the next meeting of the Audit Committee dated 22 July 2024.**

**CARRIED UNANIMOUSLY**

**4/-**

**Recommendation**

**That Council receives the agenda paper from Moore Australia**

**Purpose**

This report is for Moore Australia to present its agenda paper to the Audit

Committee.

**Voting Requirement**

Simple Majority.

**Background**

The City’s, internal auditor Moore Australia provided this report in response to a request from the chair of the Audit & Risk Committee to summarise the status of the 320 internal audit recommendations made to the City of Nedlands since March 2020.

**Discussion**

While the Moore Australia progress report attached to the agenda shows the number of outstanding audit log items, the paper does not clearly indicate the age of the outstanding items.

The summary table below indicates the number of days the audit items have been outstanding:

|  |  |
| --- | --- |
| No of days outstanding | No of outstanding items |
| Over 300 days | 313 |
| Over 200 days | 9 |
| Over 100 days | 9 |

The progress report from Moore Australia contained in the report is set out below:



**Consultation**

The Presiding Member has net with the City’s Internal Auditors and agreed on future reporting timelines to the Audit Committee.

**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 financial implication to this report.

**Decision Implications**

This section should highlight the implications if Council endorses the recommendation. It should also highlight the implications if Council doesn’t endorse the recommendation or pursues an alternative option.

**Conclusion**

It is recommended the Audit Committee received the agenda paper.

**10.** **Other Business**

Cr Coghlan requested that the Independent Consultant’s report be forwarded to the Office of the Auditor General and the City’s external auditor.

Moved - Cr Coghlan

Seconded - Cr Brackenridge

**Recommendation**

The report from the Independent Consultant titled Analysis of factors leading to the disclaimer of opinion on the financial report for the year ended 30 June 2023 (Root Cause Report) as considered at Item 9.2 by the Committee be forwarded to the Office of the Auditor General and the City’s external auditor RSM.

**CARRIED UNANIMOUSLY**

**4/-**

# Date of Next Meeting

The date of the next meeting of the Audit Committee Meeting is to be 22 July 2024.

# Declaration of Closure

There being no further business, the Presiding Member will declared the meeting closed at 7.21 pm**.**