



Shire of Wyalkatchem Audit and Risk Committee
Notice of Meeting and Agenda
to be held on Thursday 15 October 2020
commencing at 3.00pm in the Council Chambers,
Honour Avenue, Wyalkatchem

Regulation 16 of the Local Government (Audit) Regulations 1996 states that:

“An audit committee —

- a) is to provide guidance and assistance to the local government —
 - i. as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - ii. as to the development of a process to be used to select and appoint a person to be an auditor; and**

- b) may provide guidance and assistance to the local government as to —
 - i. matters to be audited; and*
 - ii. the scope of audits; and*
 - iii. its functions under Part 6 of the Act; and*
 - iv. the carrying out of its functions relating to other audits and other matters related to financial management; and**

- c) is to review a report given to it by the CEO under regulation 17(3) (the CEO’s report) and is to —
 - i. report to the council the results of that review; and*
 - ii. give a copy of the CEO’s report to the council.”**

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Agenda for the Audit Committee Meeting to be held in the Shire of Wyalkatchem Council Chambers on the 15 October 2020

1. **DECLARATION OF OPENING**
2. **PUBLIC QUESTION TIME**
3. **ATTENDANCE /APOLOGIES/LEAVE OF ABSENCE**
4. **PETITIONS, DEPUTATIONS, PRESENTATIONS**
5. **DECLARATIONS OF INTEREST**
6. **CONFIRMATION AND RECEIPT OF MINUTES**
 - 6.1. **AUDIT AND RISK COMMITTEE MEETING – 20 February 2020**

Minutes of the Shire of Wyalkatchem’s Audit and Risk Committee Meeting held on the 21 May 2020 (Attachment 6.1)

OFFICERS RECOMMENDATION

That the minutes of the Wyalkatchem Audit and Risk Committee Meeting held on the 21 May 2020 (Attachment 6.1); be confirmed as a true and correct record.
7. **MATTERS ARISING FROM THE MINUTES**
8. **ANNOUNCEMENT BY THE PRESIDING PERSON WITHOUT DISCUSSIONS**
9. **MATTERS FOR WHICH THE MEETING MAY BE CLOSED**

10. MATTERS REQUIRING A COMMITTEE DECISION

10.1. CORPORATE SERVICES REPORTS

10.1.1. AUDIT AND RISK COMMITTEE STATUS REPORT

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	8 October 2020
Reporting Officer:	Ally Bryant, Manager of Corporate services
Disclosure of Interest:	No interests to disclose
File Number:	12.02.02
Attachment Reference:	Attachment 10.1.1 - Status Report

SUMMARY

The purpose of this report is to provide the Audit and Risk Committee with a status update of outcomes from previous meeting.

BACKGROUND

In the past the Audit and Risk Committee has met when required with no status report being presented. The committee now meets every quarter to fulfil its functions and objectives as outlined in its term of reference.

COMMENT

A new status report has been developed being effective from the February 2019 Audit and Risk Management meeting and will provide the committee with a progress status and actions performed to date. Actions and status updates since the last status report will be indicated in bold. Items that have been reported as completed will be removed in future reports.

STATUTORY ENVIRONMENT

Local Government (Financial Management) Regulations 1996 s.5 (2)(c)

Local Government (Audit) Regulations 1996 s.17

Local Government Act 1995

POLICY IMPLICATIONS

There are no direct policy implications in relation to this item.

FINANCIAL IMPLICATIONS

There are no direct financial implications in relation to this item.

COMMUNITY & STRATEGIC OBJECTIVES

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Wyalkatchem Strategic Community Plan

GOAL: 10

Outcome No.	Outcome
Transparent, accountable and effective governance	Ensuring a well-informed Council makes good decisions for the community Ensuring sound financial management and plans for the Shire's long term financial sustainability High quality corporate governance, accountability and compliance Maintaining Integrated Strategic and Operational plans

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee receives the Audit and Risk Committee Status Report, as per attachment 10.1.1, and recommends that council;

Receives the Audit and Risk Committee Status Report as per attachment 10.1.1.

10.2. RISK MANAGEMENT

10.2.1. COMPLIANCE STATUS REPORTS

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	8 October 2020
Reporting Officer:	Ally Bryant, Manager of Corporate Services
Disclosure of Interest:	No interests to disclose
File Number:	12.02.02, 13.11, 12.19.01
Attachment Reference:	Attachment 10.2.1.1 – Audit Regulation 17 and Financial Management Review Action Plan Status Report Attachment 10.2.1.2 – Compliance Calendar Status Report Attachment 10.2.1.3 – Compliance Audit Return Management Action Plan Status Report

SUMMARY

The purpose of this report is to provide the Audit and Risk Committee with a progress status reports on the appropriateness and effectiveness of the Shire's Systems and procedures in relation to the following:

- Audit Regulation 17
- Financial Management Review
- Statutory Compliance Calendar
- Compliance Audit Return
- Audit Findings Report

BACKGROUND

Audit Regulation 17

The Regulation 17 Review audit was conducted by AMD Chartered Accountants and produced a comprehensive list of recommendations sanctioned into the following main compliance areas

- Risk Management
- Legislative Compliance
- Internal Controls

AMD Chartered Accountants provided a number of recommendations to ensure that compliance and best practices are being followed. These recommendations were noted and an action plan was developed. A cumulative total of 16 framework components and actions were identified to increase procedural and system effectiveness in accordance with legislative requirements. These have been incorporated into an action plan

Financial Management Review

The Financial Management Review audit was conducted by AMD Chartered Accountants. The objective of the review is to assist the Chief Executive Officer discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and provide a review of the appropriateness and effectiveness of the Shire of Wyalkatchem's financial management systems and procedures.

AMD Chartered Accountants provided a number of recommendations to ensure that compliance and best practices are being followed. These recommendations were noted and an action plan was developed. A cumulative total of 18 framework components and actions were identified to increase

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procedural and system effectiveness in accordance with legislative requirements. These have been incorporated into an action plan.

Statutory Compliance Calendar

The Statutory Compliance Calendar has been developed utilising a Statutory Compliance Calendar template provided by Western Australia Local Government Association (WALGA) being a tool that helps the Council to indent the yearly compliance actives throughout the calendar year. The objective is to assist responsible officers in being aware of monthly activities that require compliance and accountability across a various legislative components.

Compliance Audit Return

The Compliance Audit Return (CAR) assists the Shire to monitor legislative compliance by examining a range of prescribed requirements. The Shire's Compliance Audit Return 2018 was completed in January 2019 with items of non-compliance being reviewed and where applicable incorporated into a Management Action Plan.

Audit Findings Report

As part of the Council's annual audit, Council's auditor is to provide a Management Report, which contains an Audit Findings Report. For the period ending 30 June 2018 one matter was raised in their report in relation to journal entries having a significant rating. This matter was also identified in the Financial Management Review and has been included in this action plan. As only one matter was raised a status report on the Auditors Audit Findings report is not required. For an update on the progress of this action – please refer to item Reg – 3.2.2 on the Financial Management Review / Regulation 17 Action Plan Status report.

COMMENT

The action plan status reports provide the organisation with a comprehensive overview of practices and continuous improvement activities that work towards increasing best practice standards across the Shire.

Regulation 17 and Financial Management Review Action Plan Status Report

The action plan provides the organisation with a comprehensive list of actions that will ensure continuous improvement methodologies that work towards increasing best practice standards across the shire.

There are a number of actions that have completed, partially completed or in progress. Full details are in contained within attachment 10.2.1.1.

Statutory Compliance Calendar

The Statutory Compliance Calendar incorporates all compliance requirements over the course of a year, including the next due date where an item is not carried out at least once per year.

Staff are provided with a monthly "take action" providing them with their upcoming requirements. The calendar's actions have been recorded and report from responsible officer, populating the relevant details as outlined in attachment 10.2.1.2.

Compliance Audit Return

The majority of the items included in the Management Action Plan have already been identified and included in the Regulation 17 and/or Financial Management Review action plans. With that being said, it is important that the Audit committee are provided with updated progress of the actions as

identified within the CAR Management Action plan to ensure that the required items are being actioned / addressed. Full details are contained within attachment 10.2.1.3.

Outstanding items

There are a number of items that are pending completion. The majority of items are outstanding only due to the suggested timing and have not resulted in any compliance breach. Council has a number of tasks that are required in order to meet compliance and best practice. Significant delays have occurred due to the reduction of staff resources.

STATUTORY ENVIRONMENT

Local Government (Financial Management) Regulations 1996 s.5 (2)(c)

Local Government (Audit) Regulations 1996 s.17

Local Government Act 1995

POLICY IMPLICATIONS

There are no direct policy implications in relation to this item.

FINANCIAL IMPLICATIONS

There are no direct financial implications in relation to this item.

COMMUNITY & STRATEGIC OBJECTIVES

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Wyalkatchem Strategic Community Plan

GOAL 10

Outcome No.	Outcome
Transparent, accountable and effective governance	<ul style="list-style-type: none">• Ensuring a well-informed Council makes good decisions for the community• Ensuring sound financial management and plans for the Shire’s long term financial sustainability• High quality corporate governance, accountability and compliance Maintaining Integrated Strategic and Operational plans

VOTING REQUIREMENT

Simple Majority

OFFICER’S RECOMMENDATION

That the Audit and Risk Committee;

- 1. Receives the Audit Regulation 17 and Financial Management Review Action Plan Status Report (Attachment 10.2.1.1).*
- 2. Receives the Statutory Compliance Calendar Status Report (Attachment 10.2.1.2).*
- 3. Receives the Compliance Audit Return Management Action Plan Status Report (Attachment 10.2.1.3).*

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That the Audit Committee recommends that Council;

- 1. Receives the Audit Regulation 17 and Financial Management Review Action Plan Status Report (Attachment 10.2.1.1).*
- 2. Receives the Statutory Compliance Calendar Status Report (Attachment 10.2.1.2).*
- 4. Receives the Compliance Audit Return Management Action Plan Status Report (Attachment 10.2.1.3).*

10.2.2. INTERIM AUDIT MANAGEMENT LETTER

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	15 October 2020
Reporting Officer:	Ally Bryant, Manager of Corporate Services
Disclosure of Interest:	No interests to disclose
File Number:	12.02.01
Attachment Reference:	Attachment 10.2.2.1 – Office of Auditor General – Management Letter Attachment 10.2.2.2 – Assessment of New Accounting Standards

SUMMARY

Council is required to accept the Management Letter prepared by the Office of the Auditor General.

BACKGROUND

Council is required to have an Interim Audit which is undertaken by an Auditor approved by the OAG. For the FY 19/20 the interim audit was not completed due to limited staff capacity and was postponed until the September 2020 audit.

During the audit planning stage it was identified that Council had not performed a detailed assessment of the new account standards.

COMMENT

The Officer of Auditor General Management Letter has identified one significant management control issue.

Item 1 – Assessment of new accounting standards

The Risk Management Plan was drafted in September 2014 and is more than 5 years old.

Rating: Significant

Implication

Non-compliance with AASB 15 and 1058. As a result the Shires revenue may be overstated for the financial year and leasing commitments not accurately disclosed in the Statement of Financial Position.

Recommendation

It is recommended that the Shire complete detailed revenue recognition assessment of all revenue streams in order to conclude if a particular revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations. The assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058.

Management Comment

Noted.

Management agreed with the recommendation and have provided the auditors with an Assessment of the New accounting Standards Attached 10.2.2.2.

STATUTORY ENVIRONMENT

Local Government Act 1995 section 7.12A – Duties of local government with respect to audits.

POLICY IMPLICATIONS

There are no direct policy implications in relation to this item.

FINANCIAL IMPLICATIONS

There are no direct financial implications in relation to this item.

COMMUNITY & STRATEGIC OBJECTIVES

The matter before Council generally accords with the following Shire desired outcome as expressed in the revised Shire of Wyalkatchem Strategic Community Plan

Goal: Transparent, accountable and effective governance.

Goal No.	Strategies		Actions
Goal 10	Transparent, accountable and effective governance	10.1	<ul style="list-style-type: none">Ensuring a well-informed Council makes good decisions for the community
		10.2	<ul style="list-style-type: none">Ensuring sound financial management and plans for the Shire’s long term financial sustainability
		10.3	<ul style="list-style-type: none">High quality corporate governance, accountability and compliance
		10.4	<ul style="list-style-type: none">Maintaining Integrated Strategic and Operational plans

VOTING REQUIREMENT

Simple Majority

OFFICER’S RECOMMENDATION

That the Audit and Risk Management Committee:

- 1. Accepts the 2019/2020 Management Letter prepared by Office of Auditor General (Attachment 12.1.2.1) and accepts management comments and actions in relation to the audit outcomes.*

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11. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

12. QUESTIONS BY MEMBER OF WHICH DUE NOTICE HAS BEEN GIVEN

13. URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION

14. MATTERS BEHIND CLOSED DOORS

15. CLOSURE OF THE MEETING