



Shire of Wyalkatchem
Audit Committee Meeting
Held on Thursday 21 February 2019
Commencing at 2.00pm 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.”**

TABLE OF CONTENTS

1. DECLARATION OF OPENING	4
2. PUBLIC QUESTION TIME	4
2.1. Response to Public Questions Previously Taken on Notice	4
2.2. Declaration of Public Question Time opened	4
2.3. Declaration of Public Question Time closed.....	4
3. ATTENDANCE /APOLOGIES/LEAVE OF ABSENCE	4
3.1. Attendance	4
3.2. Apologies	4
3.3. Approved Leave of Absence	4
3.4. Applications for Leave of Absence	4
4. PETITIONS, DEPUTATIONS, PRESENTATIONS	4
4.1. Petitions.....	4
4.2. Deputations	5
4.3. Presentations.....	5
5. DECLARATIONS OF INTEREST	5
6. CONFIRMATION AND RECEIPT OF MINUTES	5
6.1. WYALKATCHEM AUDIT COMMITTEE MEETING – 15 MARCH 2018	5
7. MATTERS ARISING FROM THE MINUTES	5
8. ANNOUCEMENT BY THE PRESIDING PERSON WITHOUT DISCUSSIONS	5
9. MATTERS FOR WHICH THE MEETING MAY BE CLOSED	5
10. MATTERS REQUIRING A COMMITTEE DECISION	6
10.1. CORPORATE SERVICES REPORTS	6
10.1.1. MEETING WITH THE AUDITOR AND MANAGEMENT LETTER	6
10.1.2. ANNUAL REPORT AND FINANCIAL STATEMENTS.....	9
10.1.3. AUDIT COMMITTEE TERM OF REFERENCE.....	11
10.1.4. AUDIT COMMITTEE MEETING DATES	14
10.2. RISK MANAGEMENT	16
10.2.1. FINANCIAL MANAGEMENT REVIEW AND REGULATION 17 REVIEW	16
10.2.2. COMPLIANCE AUDIT RETURN 2018	20
10.2.3. INTERNAL AUDIT FUNCTION	25
11. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN	30
12. QUESTIONS BY MEMBER OF WHICH DUE NOTICE HAS BEEN GIVEN	30
13. URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION	30

14. MATTERS BEHIND CLOSED DOORS.....	30
15. CLOSURE OF THE MEETING.....	30

1. DECLARATION OF OPENING

The Chairperson, Cr Garner opened the meeting at 2:04pm

2. PUBLIC QUESTION TIME

2.1. Response to Public Questions Previously Taken on Notice

Nil

2.2. Declaration of Public Question Time opened

Public Question time opened at 2:04pm

There were no members of the public.

2.3. Declaration of Public Question Time closed

Public question time closed at 2:04pm

3. ATTENDANCE /APOLOGIES/LEAVE OF ABSENCE

3.1. Attendance

Members:	Cr. Owen Garner	(Chairperson)
	Cr. Quentin Davies	
	Cr. Stephen Gamble	
	Cr. Fred Butt	
	Cr. Heather Metcalfe	
	Cr Emma Holdsworth	
Staff:	Taryn Dayman	Chief Executive Officer
	Claire Trenorden	Manager Corporate Services
	Stephanie Elvidge	Governance Executive Officer
Guests:	Patrick Arulsingham	Grant Thornton (2:07pm)
	Michael Hillgrove	Grant Thornton (2:07pm)
	Brook Williams	Grant Thornton (2:07pm)
	Maria Cavello	AMD (2:32pm)

The above guests joined the meeting via telephone

3.2. Apologies

Nil

3.3. Approved Leave of Absence

Nil

3.4. Applications for Leave of Absence

Nil

4. PETITIONS, DEPUTATIONS, PRESENTATIONS

4.1. Petitions

Nil

4.2. Deputations

Nil

4.3. Presentations

Nil

5. DECLARATIONS OF INTEREST

Nil

6. CONFIRMATION AND RECEIPT OF MINUTES

6.1. WYALKATCHEM AUDIT COMMITTEE MEETING – 15 MARCH 2018

Minutes of the Shire of Wyalkatchem Audit Committee Meeting held on the 15 March 2018 (Attachment 6.1)

OFFICERS RECOMMENDATION

That the minutes of the Wyalkatchem Audit Committee Meeting held on the 15 March 2018 (Attachment 6.1); be confirmed as a true and correct record.

COUNCIL RESOLUTION:

(01/2019) Moved: Cr Davies Seconded: Cr Butt

That the minutes of the Wyalkatchem Audit Committee Meeting held on the 15 March 2018 (Attachment 6.1); be confirmed as a true and correct record.

CARRIED 6/0

7. MATTERS ARISING FROM THE MINUTES

Nil

8. ANNOUCEMENT BY THE PRESIDING PERSON WITHOUT DISCUSSIONS

Nil

9. MATTERS FOR WHICH THE MEETING MAY BE CLOSED

Nil

Member of The Office of the Auditor General- Mr Arulsingham; and Grant Thornton -Mr Hillgrove and Ms Williams, entered the meeting via telephone at 2.07pm to provide an overview of the audit processes and details of findings.

10. MATTERS REQUIRING A COMMITTEE DECISION

10.1. CORPORATE SERVICES REPORTS

10.1.1. MEETING WITH THE AUDITOR AND MANAGEMENT LETTER

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	12 February 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	12.02.01
Attachment Reference:	Attachment 10.1.1.1 – Office of Auditor General - Management Letter Attachment 10.1.1.2 – Audit Findings Report

SUMMARY

Council is required to meet with the auditor annually. Council has given delegated authority to the Audit Committee to meet with the auditor to satisfy the requirement of s.7.12A (2) of the *Local Government Act 1995*. A meeting with the Auditor General's, has been arranged as part of the audit meeting and will be via telephone.

In addition Council is to consider the 2017/2018 Independent Management report.

BACKGROUND

The auditor's report is being presented to Council at the February 2019 Ordinary meeting, as part of accepting the annual report, based on the Audits Committee recommendation.

The meeting with the auditor is required to allow the Audit Committee the opportunity to discuss any matters or concerns with the auditors and similarly for the auditor to discuss and matters or concerns with the committee.

In addition to responding to any specific questions, Mr Patrick Arulsingham will provide committee members with an overview of the audit process that was conducted and details of findings and recommendations arising from the audit conducted in 2018.

COMMENT

The Management report has identified one management control issue.

Management Report

Within the Management report, the Office of the Auditor General, has provided comments on their findings which were that accounting journal entries were posted by one employee, with no evidence of review by a second employee. The recommendation is to have a second person review and authorise journal entries.

Rating: Significant

Management Comment

This is agreed and a journal register has been developed that will be reviewed and authorised by a more senior employee than the journal preparer on a monthly basis.

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

Objective: A well-managed and effective Council organisationl

Outcome No.	Outcome	Action No.	Actions
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee gives advice and recommends to Council;

- 1. That it has met with the Auditor and discharged its obligations, in accordance with Section 7.12A (2) of the Local Government Act.*
- 2. Accepts the 2017/2018 Management Letter prepared by Office of Auditor General (Attachment 10.1.1.1) and accepts management comments and actions in relation to the audit outcomes and recommendations (Attachment 1.1.1.2).*

COUNCIL RESOLUTION:

(02 /2019) Moved: Cr Butt

Seconded: Cr Davies

That the Audit Committee gives advice and recommends to Council;

- 1. That it has met with the Auditor and discharged its obligations, in accordance with Section 7.12A(2)) of the Local Government Act.***
- 2. Accepts the 2017/2018 Management Letter prepared by Office of Auditor General (Attachment 10.1.1.1) and accepts management comments and actions in relation to the audit outcomes and recommendations (Attachment 1.1.1.2).***

CARRIED 6/0

Mr Arulsingham, Mr Hillgrove and Ms Williams left the meeting at 2:15pm

10.1.2. ANNUAL REPORT AND FINANCIAL STATEMENTS

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	12 February 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	12.10.01
Attachment Reference:	Attachment 10.1.2 – 2017/2018 Annual Report and Financial Statements

SUMMARY

The Audit Committee is requested to endorse and recommend to Council to accept the 2017/2018 Annual Report and Financial Statements for the period ending 30 June 2018.

BACKGROUND

In accordance with Section 5.54(1) of the *Local Government Act 1995* Council is required to prepare and accept the annual report for each financial year no later than 31 December after that financial year.

If the auditor's report is not available in time for the annual report for a financial year to be accepted by the 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

On 28 October 2017, the *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.

The Office of the Auditor General appointed Grant Thornton to conduct the external financial audit on behalf of their Office for a three-year period commencing with the audit for the year ending 30 June 2018.

COMMENT

Grant Thornton conducted the final audit of Council's finances and operations in September 2018. As this was the first audit by the Auditor General for the Shire of Wyalkatchem, the Auditor General took an increase amount of time before signing off on the audit. The final audit report was received by the Shire on the 18 January 2019. A copy of the audit report and management report is attached.

Council is required to accept the annual report and select a date for the Electors meeting that is no more than 56 days from the acceptance of the annual report. This means that Council needs to hold the Electors meeting on or before the 18 April 2019.

It is proposed that the Electors meeting be held on the 21 March 2019 commencing at 7pm at Council Chambers.

Public Notice of the Annual Electors Meeting and availability of the Annual Report will be displayed on public notice boards, Avon Advocate and advertised on Council's Website.

In addition residents can request a copy to be mailed to them or view a copy at the Shire Office.

STATUTORY ENVIRONMENT

Local Government Act 1995 section 5.54(1)

POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

Advertising, printing and posting costs included in the 2018/2019 budget.

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

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That Audit Committee recommends that Council;

- 1. Accepts the Audit Report for the 2017/2018 financial year as presented;*
- 2. Accepts the Annual Report and Financial Statements for the year ended 30 June 2018 as presented;*
- 3. Holds a General Meeting of Electors on the 21 March 2019 commencing at 7pm at the Shire of Wyalkatchem Council Chambers.*

COUNCIL RESOLUTION:

(03 /2019) Moved: Cr Gamble

Seconded: Cr Butt

That Audit Committee recommends that Council;

- 1. Accepts the Audit Report for the 2017/2018 financial year as presented;***
- 2. Accepts the Annual Report and Financial Statements for the year ended 30 June 2018 as presented;***
- 3. Holds a General Meeting of Electors on the 21 March 2019 commencing at 7pm at the Shire of Wyalkatchem Council Chambers.***

CARRIED 6/0

10.1.3. AUDIT COMMITTEE TERM OF REFERENCE

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	12 February 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	13.6.3
Attachment Reference:	Attachment 10.1.3 – Audit & Risk Committee Term of Reference

SUMMARY

The Audit Committee is requested to endorse and recommend to Council to accept the structure, including committee name change and revised Term of Reference for the Audit and Risk Committee.

BACKGROUND

The Audit Committee plays an integral role in assisting a local government to fulfil its governance and oversight responsibilities relating to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The current terms of reference for the Audit Committee was developed in 2012 and has not been subsequently reviewed or updated.

COMMENT

The CEO's Compliance Audit Check had identified the requirement to review the Audit Committee Term of Reference.

The primary objective of the Audit Committee is to accept responsibilities for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire of Wyalkatchem (the Shire) in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of its finance and resources. The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Committee is to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the coordination of the internal audit function with the external audit; and

- the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

The audit committee responsibilities extends further then financial management audit and includes overseeing a number of elements from risk assessment. On this bases, it is recommended that the Audit Committee name be changed to Audit and Risk Management Advisory Committee.

A revised Charter and Term of Reference for the Audit and Risk Management Advisory Committee has been developed and is attached for the committee's endorsement.

STATUTORY ENVIRONMENT

Local Government Act 1995 Division A1, Section 7.1A

Local Government (Audit) Regulations 1996

Local Government Amendment (Auditing) Act 2017

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

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That Audit Committee recommends that Council;

- 1. That the Audit Committee be changed to the Audit & Risk Management Committee;*
- 2. That the Charter and Term of Reference for the Audit and Risk Management Committee, as provided for in attachment 10.1.3, be adopted.*

COUNCIL RESOLUTION:

(04 /2019) Moved: Cr Butt

Seconded: Cr Gamble

That Audit Committee recommends that Council;

- 1. That the Audit Committee be changed to the Audit & Risk Management Committee;***
- 2. That the Charter and Term of Reference for the Audit and Risk Management Committee, as provided for in attachment 10.1.3, be adopted.***

CARRIED 6/0

10.1.4. AUDIT COMMITTEE MEETING DATES

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	12 February 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	13.05.01
Attachment Reference:	NIL

SUMMARY

The Audit and Risk Management Advisory Committee is requested to endorse the meeting dates for 2019.

BACKGROUND

Historically the Shire's Audit Committee has met on an as required basis, generally once or twice per year.

As best practice, Audit Committee meetings should be held quarterly (in accordance with Local Government Operational Guideline No 09-Audit in Local Government).

COMMENT

The revised Charter and Term of Reference for the Audit and Risk Management Committee includes holding meetings at once every three months.

The increase in frequency in meetings is a direct response to the increase in the intended reports to be presented to the Audit and Risk Management Advisory Committee. Regular reports include, but not limited to;

- Compliance Status report;
- Financial Management Review / Regulation Review Status report;
- Auditors Management Letter status report;
- Risk Register Status report (once reviewed).

For the Audit and Risk Management Committee to meet its objectives effectively, it is recommended that meetings be scheduled every 3 months. Additional meetings, or change of meeting dates may be required in order to meet compliance.

It is recommended that a minimum of 1 hour is allocated to the Audit and Risk Management Advisory committee meeting.

Discussions held with the Shire President have indicated that these meetings be scheduled on the same date as Council's Council Meetings, being the third Thursday of the month for the following months;

- 21 February 2019
- 16 May 2019
- 15 August 2019
- 21 November 2019

Holding meetings in conjunction with Councillors attendance of the monthly Council Meeting should increase attendance and be more convenient to committee members. Based on these discussions, public notice of the above meeting dates have been given.

STATUTORY ENVIRONMENT

Local Government Act 1995 Division A1 – Audit Committee

POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

Local Public Notice advertising costs.

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

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That Audit Committee acknowledge the following Audit and Risk Management Committee meeting dates for 2019;

- 21 February 2019
- 16 May 2019
- 15 August 2019
- 21 November 2019

COUNCIL RESOLUTION:

(05 /2019) Moved: Cr Gamble

Seconded: Cr Holdsworth

That Audit Committee acknowledge the following Audit and Risk Management Committee meeting dates for 2019.

- 21 February 2019
- 16 May 2019
- 15 August 2019
- 21 November 2019

CARRIED 6/0

Mrs Cavello entered the meeting via telephone at 2.32pm to provide an update of the process and findings of the Financial Management Review and Regulation Review

10.2. RISK MANAGEMENT

10.2.1. FINANCIAL MANAGEMENT REVIEW AND REGULATION 17 REVIEW

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	26 January 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	12.02.02
Attachment Reference:	Attachment 10.2.1.1 Financial Management Review Report. Attachment 10.2.1.2 Review of Risk Management, Internal Control and Legislative Compliance (Regulation 17 Review)

SUMMARY

For the Audit Committee to receive the Financial Management Review and Review of Risk Management, Internal Control and Legislative Compliance (Regulation 17) reports that was conducted by AMD Chartered Accountants.

BACKGROUND

The *Local Government (Financial Management) Regulations 1996 5(2)(c)* requires the Chief Executive to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

The last Financial Management Review under regulation 5 was conducted in April 2011.

The *Local Government (Audit) Regulations* under Regulation 17 requires the CEO to review the appropriateness and effectiveness of a local government's systems in relation to risk management, internal control and legislative compliance. Each of these areas is to be the subject of a review not less than once every 3 financial years.

The last review under Regulation 17 was conducted in house and reported to the Audit Committee on the 1 June 2017.

COMMENT

The CEO identified the requirement to complete the Financial Management Review as a matter of urgency to ensure compliance.

A review of the report submitted to the Audit Committee for a Review of Risk Management, Internal Control and Legislative Compliance has indicated that it does not address all the

requirements under Regulation 17 as outlined in the Department of Local Government and communities Local Government Guidelines number 9 – Audit in Local Government.

To ensure compliance and to assess the appropriateness and effectiveness of the Shire's systems and procedures as well as to set a best practice benchmark for the future, an external contractor was engaged to carry out both the Financial Management Review and Regulation 17 review.

AMD Chartered Accountants performance audits for both reviews in December 2018. AMD have provided a report on items identified requiring review. These reports are presented to the Audit Committee as part of their function as outlined in section 16 of the *Local Government (Audit) Regulations 1996*.

Both the Financial Management Review Report and Regulation 17 Report are to provide Audit Committee and Council the information and suggested action that is contained within both reports.

Financial Management Review and Regulation 17 Review

The Auditor has raised a number of issues within the Financial Management Review and Regulation 17 Review that need to be addressed to ensure that compliance and best practices are being followed.

Management had provided comments on each of the issues noted, providing additional feedback and comments, as well as the actions that will be taken to achieve compliance and/or best practices and the anticipated timeframe.

A number of issues raised have already been identified within the Chief Executive officers Compliance review and have been included in a 12 month action plan.

Matters identified within the Financial Management Review (FMR) and Regulation 17 Review have been collated into a FMR action plan / status report. This report, showing the progress of the status to date, will be presented to the Audit and Risk Management Committee each quarter.

In addition to the above mentioned status report, management will also be providing a status report of the Shire's Compliance and Actions Calendar Status report. This report will be provided to the Audit & Risk Management Committee each quarter, commencing May 2019.

STATUTORY ENVIRONMENT

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

Local Government (Audit) Regulations 1996 s.17

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

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.1	A well-governed, efficient and responsive organisation	5.1.1	Implement effective governance structures
		5.1.2	Embed sound risk management frameworks to mitigate council's strategic and operational risk
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee recommends that Council;

- 1. Receives the Financial Management Review Report (Attachment 10.2.1.1)*
- 2. Notes the findings of the Financial Management Review and accepts the managements comments and actions in relation to the audit outcomes and recommendations*
- 3. Receives the Regulation 17 report (Attachment 10.2.1.2) on the appropriateness and effectiveness of Council's Risk Management, internal Control and legislative compliance.*
- 4. Notes the findings of the Regulation 17 and accepts the managements comments and actions in relation to the audit outcomes and recommendations*

COUNCIL RESOLUTION:

(06 /2019) Moved: Cr Holdsworth Seconded: Cr Davies

That the Audit Committee recommends that Council;

- 1. Receives the Financial Management Review Report (Attachment 10.2.1.1)***
- 2. Notes the findings of the Financial Management Review and accepts the managements comments and actions in relation to the audit outcomes and recommendations***

- 3. *Receives the Regulation 17 report (Attachment 10.2.1.2) on the appropriateness and effectiveness of Council's Risk Management, internal Control and legislative compliance.***
- 4. *Notes the findings of the Regulation 17 and accepts the managements comments and actions in relation to the audit outcomes and recommendations***

CARRIED 6/0

Mrs Cavello left the meeting at 2:51pm

10.2.2. COMPLIANCE AUDIT RETURN 2018

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	31 January 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	12.19.01
Attachment Reference:	Attachment 10.2.2 – 2018 Compliance Audit Return

SUMMARY

The purpose of this report is to provide the Audit Committee with the 2017 Compliance Audit Return for the period 1 January 2018 to 31 December 2018. The Audit Committee is requested to review the 2018 Compliance Audit Return and to recommend its endorsement to Council.

BACKGROUND

Western Australian local governments are required to complete an annual Compliance Audit Return

(CAR) in accordance with the provisions of the Local Government (Audit) Regulations 1996 (Regulations). The CAR must be submitted to the Department of Local Government, Sport and Cultural Industries (Department) by 31 March 2019. The period examined by this audit is 1 January to 31 December 2018.

The completed return is required to be:

- Reviewed by the Audit Risk Management Committee
- Considered and adopted by Council
- Certified by the Mayor and CEO following Council adoption
- Submitted together with a copy of the Council Minutes to the Department by 31 March 2019.

The report assists the Shire of Wyalkatchem to monitor legislative compliance by examining a range of prescribed requirements under Regulation 13 of the Regulations in detail. The audit findings must be recorded in the supplied pro forma which has been completed and is provided as Attachment 10.2.2

COMMENT

The Compliance Audit Return has been carried out by the Chief Executive Officer. The Compliance Audit Return comprises of questions in the following areas of activities.

- Commercial Enterprises by Local Governments
- Delegation of Power / Duty
- Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting
- Local Government Employees

- Official Conduct
- Tenders for Providing Goods and Service

A copy of the Compliance Audit return is provided for under attachment 10.2.2

Items of non-compliance have been reviewed and action plan to develop to address the areas of non-compliance.

Management Action Plan

Question	Response	Comments	Comments / Action Plan
Disposal of Property			
Was Local Public Notice given prior to disposal for any property not disposed by public auction or tender (except where excluded by Section 3.58(5))	No	Disposal of Grader (value \$118k) was not disposed of by tender or auction and no local public notice of disposal completed	Tendering Framework was raised in the Shire's Regulation 17 review. Management Actions to address the Shire's Tendering Frameworks are; <ul style="list-style-type: none"> • Staff Training • Physical Tender Register to be developed • Tendering Framework and procedures to be developed, including checklists, risk assessments, templates etc, incorporating items included in the AMD recommendations
Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	No	Disposal of Grader (value \$118k) was not disposed of by tender or auction and no local public notice of disposal completed	As above
Integrated Planning and Reporting			
Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond	Yes	Last Corporate Business Plan was adopted in Sept 2015. Review of the Shire's Corporate	Review of Corporate Business Plan has been identified. Review anticipated to be conducted by June 2019

		Business Plan to be conducted by June 2019	
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Question	Response	Comments	Comments / Action Plan
Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No	Last Corporate Business Plan was adopted in Sept 2015. Review of the Shire's Corporate Business Plan to be conducted by June 2019	Review of Corporate Business Plan has been identified. Review anticipated to be conducted by June 2019
Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	SCP adopted July 2013. Review of framework June 2017. Complete review and development of SCP to be conducted by June 2019	Review of Strategic Community Plan has been identified. Review anticipated to be conducted by June 2019
Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Framework was reviewed in June 2017.	Review of Strategic Community Plan has been identified. Review anticipated to be conducted by June 2019
Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	No	Development of an Asset Management Plan to be conducted in the next 12 months	Development of an Asset Management Plan to be conducted in the next 12 months
Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent	No	Development of a Long Term Financial Plan to be	Development of a Long Term Financial Plan to be conducted in the next 12 months

Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.		conducted in the next 12 months	
Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Workforce plan adopted in April 2014. Review of the Workforce plan to be conducted in the next 12 months	Review of a Council's Workforce Plan to be conducted in the next 12 months

Question	Response	Comments	Comments / Action Plan
Tendering for Providing Goods and Services			
Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	No	unable to locate a written record of such notification	Requirement to be included in the Tendering Framework review

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996 section 14 – Compliance audits by local governments

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

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.1	A well-governed, efficient and responsive organisation	5.1.1	Implement effective governance structures
		5.1.2	Embed sound risk management frameworks to mitigate council's strategic and operational risk

5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources
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VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee recommends that Council;

1. *Notes the areas of non-compliance within the 2018 Compliance Audit Return and accepts the 2018 Compliance Audit Return Management Action Plan.*
2. *Receive the completed 2018 Compliance Audit Return for the period 1 January 2018 to 31 December 2018 as per attachment 10.2.2.1 and recommends that Council adopts 2018 Compliance Audit Return.*
3. *Submit a certified copy of the 2018 Compliance Audit Return to the Direction General of the Department of Local Government, Sport and Cultural Industries by 31 March 2019.*

COUNCIL RESOLUTION:

(07 /2019) Moved: Cr Butt

Seconded: Cr Metcalfe

That the Audit Committee recommends that Council;

1. ***Notes the areas of non-compliance within the 2018 Compliance Audit Return and accepts the 2018 Compliance Audit Return Management Action Plan.***
2. ***Receive the completed 2018 Compliance Audit Return for the period 1 January 2018 to 31 December 2018 as per attachment 10.2.2.1 and recommends that Council adopts 2018 Compliance Audit Return.***
3. ***Submit a certified copy of the 2018 Compliance Audit Return to the Director General of the Department of Local Government, Sport and Cultural Industries by 31 March 2019.***

CARRIED 6/0

10.2.3. INTERNAL AUDIT FUNCTION

Applicant:	Shire of Wyalkatchem
Location:	Shire of Wyalkatchem
Date:	31 January 2019
Reporting Officer:	Taryn Dayman, Chief Executive Officer
Disclosure of Interest:	No interests to disclose
File Number:	13.6.3
Attachment Reference:	Nil

SUMMARY

The purpose of this report is for the Audit Committee to consider the establishment of an Internal Audit Framework reporting back to Council via the Shire of Wyalkatchem's Audit Committee.

BACKGROUND

The Shire of Wyalkatchem Regulation 17 Review conducted by AMD Chartered Accountants noted that the Shire does not currently have an internal audit function in place, item 4.3.4. AMD Chartered Accountants made the following recommendation;

"The Department of Local Government, Sport and Cultural Industries guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.

Should the Shire consider an internal audit function not be required, we suggest the Audit Committee formally document they have considered the best practice guidelines and the reasons they feel it is not necessary"

The following is taken from the Department of Local Government & Communities guidelines on Audit Committee's in local government;

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved.

The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- a) Review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- b) A risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- c) Examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- e) a review of compliance with management policies and directives and any other internal requirements;
- f) review of the annual Compliance Audit Return;
- g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared

by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

COMMENT

It is considered that the development of an internal audit function will act as a significant organisational risk mitigation strategy for Council and would be achieving best practice.

The internal audit function can extend further than just financial and compliance audits. An internal audit function can be risk based on areas considered to be high risk and requiring more detailed audits. This should be in line with identified risks within the Risk Management Plan Risk Register

A Risk Management Plan was developed in September 2014. There is no evidence that this has been approved to Council. It is recommended that a Review of the Risk Management plan is conducted and adopted by the Audit Committee and Council.

The best practice approach to conduct an internal audit would be to engage a qualified Independent Internal Auditor to perform the audits. This ensures an independent and transparent audit. There would be additional costs with this approach, which would be dependent on the scope of works and frequency.

Council could employ an internal auditor. This would be an additional employee requiring a high level of associated skills, knowledge and experience. It would be recommended that this is a standalone position having no operational involvement in the areas that would be subject to an internal audit. There would be financial implications with the employment of an additional staff.

It is not recommended that the responsibilities of an internal auditor be allocated within existing staff resources and current organisational structure.

Alternatively Council could seek to establish a partnership with the NEWROC shires. A partnership could either be to jointly employ an internal auditor to provide services to all NEWROC shires, sharing time and expenses or using existing suitable qualified staff to conduct an annual audit of another shire, for example Wyalkatchem provides the audit for Koorda.

All of the above options require additional resources and funding. Options not involving an external consultant would require considerable resources to set up an internal audit

framework. Investigations have indicated that there are limited tools and resources that would be available to establish the initial framework.

The Shire current audit processes include: audit conducted by the Office of Auditor General; Completion of Compliance Audit Return (internal); Regulation 17 CEO review of risk management internal control and legislative compliance and Financial Management Review (both recently conducted by AMD Chartered Accountants.) The CEO has also conducted a number of compliance health checks. The introduction of a Compliance Calendar will provide a tool to assist with meeting the Shire's compliance requirements.

The outcome of the above audits have identified a number of improvements, and associated action plans have been developed.

The Audit Committee may consider the above audit processes sufficient for a Local Government of our size and risk assessment. With that being said, the Audit Committee needs to have an understanding of Council's risk assessment in order to make this determination on its merits and not assumptions.

Taking into account of the above, the following is recommended.

- That the Audit Committee note that they have considered the best practice guidelines and based on the current audit structures being applied do not feel it is necessary to establish an internal audit program;
- That the Audit Committee request a review of the Shire's Risk Management plan be conducted and presented to the audit committee;
- On review of the Risk Management Plan and Risk Register the Audit Committee to review the identified risks and make a determination, based on risk, the requirement for an internal audit program;
- That the CEO commence discussions with NEWROC to establish the level of interest in the joint establishment of an internal audit program.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996.

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.

Objective: A well-managed and effective Council organisation

Outcome No.	Outcome	Action No.	Actions
5.1	A well-governed, efficient and responsive organisation	5.1.1	Implement effective governance structures
		5.1.2	Embed sound risk management frameworks to mitigate council's strategic and operational risk
5.4	Robust and accountable business and financial processes	5.4.2	Ensure efficient use of resources

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit Committee;

- 1. Note that they have considered the Department of Local Government, Sport and Cultural Industries guidelines recommending an internal audit function be established incorporating an internal audit program which is re-assessed annually and have made the determination, based on current audit processes and structures not to proceed with the establishment of an internal audit program at this time.*
- 2. Request that the Chief Executive Officer conducts a review of the Shire's Risk Management Plan and present the plan to the Audit Committee for endorsement.*

COUNCIL RESOLUTION:

(08 /2019) Moved: Cr Gamble Seconded: Cr Davies

That the Audit Committee;

- 1. Note that they have considered the Department of Local Government, Sport and Cultural Industries guidelines recommending an internal audit function be established incorporating an internal audit program which is re-assessed annually and have made the determination, based on current audit processes and structures not to proceed with the establishment of an internal audit program at this time.***
- 2. Request that the Chief Executive Officer conducts a review of the Shire's Risk Management Plan and present the plan to the Audit Committee for endorsement.***

CARRIED 6/0

11. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

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

Nil

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

Nil

14. MATTERS BEHIND CLOSED DOORS

Nil

15. CLOSURE OF THE MEETING

There being no further business to discuss, the Chairperson thanked everyone for their attendance and closed the meeting at 3:02PM