

Shire of Perenjori

MINUTES

Audit Committee Meeting

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Held in the Council Chambers, Fowler Street, Perenjori on the 13th December 2016, commenced at 4.00 pm.

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16121 PRELIMINARIES

Cr L Butler declared the meeting open at 4.00 pm.

16121.1 RECORD OF ATTENDANCE AND APOLOGIES

Cr L Butler – Presiding Member

Cr L Smith

Cr K Pohl

Cr J Hirsch

Ron Back – External Committee Member - Via Telephone

Travis Bate – RSM Auditor – Via Telephone

Ali Mills - CEO

Peter Money - MCDS

16121.2 CONFIRMATION OF MINUTES

Minutes from the previous Audit Committee meeting held on the 18th August 2016 are attached.

Committee Resolution – Item 16122

Moved: Ron Back

Seconded: Cr K Pohl

That the Minutes from the Audit Committee meeting held on the 18th August 2016 are accepted as a true and correct record of that Meeting.

Carried: 5/0

16122 ADOPTION OF THE ANNUAL REPORT 2015/2016

APPLICANT:	SHIRE OF PERENJORI
FILE:	ADM
DISCLOSURE OF INTEREST:	NIL
AUTHOR:	CEO – ALI MILLS
RESPONSIBLE OFFICER	CEO – ALI MILLS
REPORT DATE:	18TH AUGUST 2016
ATTACHMENTS	REPORT

Executive Summary

The Annual Report for the 2015/2016 financial year is presented for Council's endorsement, along with the proposed date for the annual electors meeting.

Background

An Annual Report is required to be produced every year after the audit has been completed and upon receipt of the Audit Report.

The 2015/2016 Annual Report has been prepared in accordance with Section 5.53 of the Local Government Act and includes the audited Annual Financial Report.

The Annual Report highlights the Shire of Perenjori achievements in 2015/2016.

For statutory compliance a local government must:

- If the Auditors Report is not available in time for the annual report to be accepted by 31 December, the annual report is to be accepted no later than 2 months after the auditor's report becomes available.
- Advertise the availability of the annual report.
- The date of the Annual Electors Meeting is also required to be set. This meeting must be held within 56 days of acceptance of the Annual Report, which is by 8th February 2017.
- It is proposed that the annual meeting of Electors be held at 5.00 pm on Tuesday 7th February 2017 at the Perenjori Pavilion.
- Fourteen days public notice of the meeting is also required.

The Shire is required to prepare annual financial statements by 30th September and the auditor is to prepare a report in respect of the Financial Statements by 31st December each year.

In general terms the audit demonstrated considerable improvement in internal management practices and more systematic control and accountability over the financial processes.

Statutory Environment

Local Government Act 1995 – s 5.27 – *Electors General Meetings*

(1) A general meeting of the electors of a district is to be held once every financial year.

(2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.

(3) The matters to be discussed at general electors' meetings are to be those prescribed.

Policy Implications

Nil

Financial Implications

Nil

Strategic Implications

Area 5: Investing in Councils Capacity – Our Leadership

Goal: Strengthen the Shire's position as an innovative, independent local Government providing excellence in all areas of governance, management and leadership

Risk Management

Risk Statement	Level of Risk	Risk Mitigation Strategy
Risk of non-compliance with legislation.	A moderate consequence which is possible resulting in medium level of risk.	The audit is conducted in time and the proposed Electors Committee is planned to be compliant also.

Consultation

RSM
 CEO
 MCDS
 SFO
 MIS
 Ron Back

Comment

The annual report provides the opportunity for the Shire to summarise for the community the achievements of the Local Government and provide for the community the outcome of the annual audit.

Voting Requirements – Absolute Majority**Officers Recommendation – Item 16122**

That Council by absolute majority and by virtue of section 5.54 of the Local Government Act 1995 resolves to:

1. Adopt the 2015/2016 Annual Report for the financial period ending 30 June 2016 for the Shire of Perenjori as presented and attached; and
2. Confirm the date for the Annual Electors Meeting for Tuesday 7th February 2017 in Perenjori and authorise the statutory advertising.

Committee Resolution – Item 16122

Moved: Ron Back

Seconded: Cr L Smith

That Council by absolute majority and by virtue of section 5.54 of the Local Government Act 1995 resolves to:

- 1. Adopt the 2015/2016 Annual Report for the financial period ending 30 June 2016 for the Shire of Perenjori as presented and attached; and**
- 2. Confirm the date for the Annual Electors Meeting for Tuesday 7th February 2017 in Perenjori and authorise the statutory advertising.**

Carried: 5/0

16122.1 RISK MANAGEMENT REVIEW

APPLICANT:	SHIRE OF PERENJORI
FILE:	ADM
DISCLOSURE OF INTEREST:	NIL
AUTHOR:	CEO – ALI MILLS
RESPONSIBLE OFFICER	CEO – ALI MILLS
REPORT DATE:	18TH AUGUST 2016
ATTACHMENTS	RISK REPORT

Executive Summary

The purpose of this report is to provide Council with an updated report reviewing risk management across the organisation.

Background

On 8 February 2013, the Department of Local Government and Communities (Department) advised all local governments via their Circular No 5 regarding the amendments made to the *Local Government (Audit) Regulations 1996*. The amendments to the *Local Government (Audit) Regulations 1996* extend the functions of local government Audit Committees to include reviewing the effectiveness of local government's systems with regard to risk management, internal control, and legislative compliance.

Specifically, the amendments require a local government's CEO to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures with regard to risk management, internal control and legislative compliance. A report must also be provided to the local government's Audit Committee of that review for their consideration. The Audit Committee is to review the CEO's report and submit the results to the Council with a copy of the CEO's report.

The Chief Executive Officer has conducted a review of the Shire's existing systems and procedures. The findings of the review are presented to the Audit Committee in compliance with the requirements.

Below is an extract from the Department's revised Operational Guidelines No 9 re Audit in Local Government (issued in December 2013) giving guidance as to what items to deal with in the three areas of risk management, internal control and legislative compliance:

"Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance are:

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.*
 - *Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.*
 - *Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*
 - *potential non-compliance with legislation, regulations and standards and local government's policies*
 - *important accounting judgments or estimates that prove to be wrong*
 - *litigation and claims*
 - *misconduct, fraud and theft*
 - *significant business risks, recognizing responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.*
 - *Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.*
- Assessing the adequacy of local government processes to manage insurable*

risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.

- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.*
- *Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.*
- *Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.*
- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.*
- *Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- *integrity and ethics.*
- *policies and delegated authority.*
- *levels of responsibilities and authorities.*
- *audit practices.*
- *information system access and security.*
- *management operating style.*
- *human resource management and practices.*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- *delegation of authority.*
- *documented policies and procedures.*
- *trained and qualified employees.*
- *system controls.*
- *effective policy and process review.*
- *regular internal audits.*
- *documentation of risk identification and assessment.*
- *regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- *separation of roles and functions, processing and authorization;*
- *control of approval of documents, letters and financial records;*
- *comparison of internal data with other or external sources of information;*

- *limit of direct physical access to assets and records;*
- *control of computer applications and information system standards;*
- *limit access to make changes in data files and systems;*
- *regular maintenance and review of financial control accounts and trial balances;*
- *comparison and analysis of financial results with budgeted amounts;*
- *the arithmetical accuracy and content of records;*
- *report, review and approval of financial payments and reconciliations;*
- *comparison of the result of physical cash and inventory counts with accounting records.*

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

Monitoring compliance with legislation and regulations.

- *Reviewing the annual Compliance Audit Return and reporting to Council the results of that review.*
- *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary.*
- *Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.*
- *Obtaining assurance that adverse trends are identified and review management's plans to deal with these.*
- *Reviewing management disclosures in financial reports of the effect of significant compliance issues.*

Statutory Environment:

Regulation 16 (C) of the *Local Government (Audit) Regulations 1996* requires an audit committee to “review a report given to it by the CEO under Regulation 17(3) and is to (i) report to the Council the result of that review, and (ii) give a copy of that report to the Council.”

Regulation 17 (1) of the *Local Government (Audit) Regulations 1996* requires the CEO to “review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —

(a) risk management; and

(b) internal control; and

(c) legislative compliance.”

Regulation 17(2) of the *Local Government (Audit) Regulations 1996* states “the review may relate to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every two calendar years.”

Regulation 17(3) requires “the CEO is to report to the audit committee the results of that review.”

The CEO has reviewed the Shires practices and policies relating to risk management, internal control, and legislative compliance. A recent Financial Management Review was conducted which was presented to Council in August 2016. The results of the findings are that the Shire has sufficient systems and procedures in place to deal with all requirements in the Operational Guideline No 9, and that they are regularly reviewed for continuous improvement.

Policy Implications

No policy relates to this requirement.

Financial Implications

There are no financial implications for this process.

Strategic Implications

Area 5: Investing in Councils Capacity – Our Leadership

Goal: Strengthen the Shire's position as an innovative, independent local Government providing excellence in all areas of governance, management and leadership.

Risk Management

Risk Statement	Level of Risk	Risk Mitigation Strategy
Risk of non-compliance with legislation.	A moderate consequence which is possible resulting in medium level of risk.	Ongoing development of officers knowledge of legislative requirements and ongoing updating of the Audit committee awareness of its responsibilities mitigates the potential for a non-compliant event occurring.

Consultation

Senior Staff

Comment

Nil

Voting Requirements – Simple Majority

Officers Recommendation – Item 16122.1

That the Audit Committee:

1. Reviews the Chief Executive Officer's Report, CEO Biennial Review Report attachment 1
2. Reports to the Council the results of that review.
3. Provides a copy of the Chief Executive Officer's Report to the Council.

Committee Resolution – Item 16122.1

Moved: Ron Back

Seconded: Cr L Smith

That the Audit Committee:

- 1. Reviews the Chief Executive Officer's Report, CEO Biennial Review Report attachment 1**
- 2. Reports to the Council the results of that review.**
- 3. Provides a copy of the Chief Executive Officer's Report to the Council.**
- 4. Incorporate a standing agenda item in the Council Ordinary Meeting Agendas identifying high risk areas and action being taken to mitigate the local government's risk**

Carried: 5/0

16123 OTHER BUSINESS**Motion – Late Item****Moved: Cr L Smith****Seconded: Cr K Pohl****That the Committee agree to address the late item 16123.1.****Carried: 5/0****16123.1 LATE ITEM - REGULATORY TASK REPORTING**

APPLICANT:	SHIRE OF PERENJORI
FILE:	ADM 0081
DISCLOSURE OF INTEREST:	NIL
AUTHOR:	PETER MONEY – MCDS
RESPONSIBLE OFFICER:	PETER MONEY – MCDS
REPORT DATE:	13TH DECEMBER 2016
ATTACHMENTS	SCHEDULE

Executive Summary

This item requests that the Audit Committee reviews and accepts the schedule of regulatory tasks.

Background

There is a requirement to ensure that various regulatory tasks are completed within specified time frames.

The attached is a schedule of those tasks and shows the up-to-date status of each. In some instances the tasks are yet to be completed though completion is pending.

This schedule compliments the Departments Compliance Audit Report which is due to be completed following the end of the calendar year and will be presented to the February Council meeting.

Statutory Environment

Local Government Act

Local Government (Administration) Regulations

Local Government (Audit) Regulations

Local Government (Financial Management) Regulations

Policy Implications

Nil

Financial Implications

Nil

Strategic Implications

Area 5: Investing in Councils Capacity – Our Leadership

Goal: Strengthen the Shire's position as an innovative, independent local Government providing excellence in all areas of governance, management and leadership.

Risk Management

Risk Statement	Level of Risk	Risk Mitigation Strategy
The risk of non-compliance can result in sanction from the Department of Local Government	Low	Ensure on-time compliance of regulatory & statutory tasks

Consultation

CEO

Comment**Voting Requirements – Simple Majority****Officers Recommendation – Item 16123.1**

That the Audit Committee accepts the Regulatory Tasks Schedule and recommends acceptance by Council.

Committee Resolution – Item 16123.1**Moved: Cr J Hirsch****Seconded: Cr K Pohl**

That the Audit Committee accepts the Regulatory Tasks Schedule and recommends acceptance by Council.

Carried: 5/0**16123.1 DATE OF NEXT MEETING / MEETINGS**

To be advised.

16123.2 CLOSURE

Cr L Butler declared the meeting closed at 5.12 pm.