



## **NOTICE OF MEETING**

Dear Elected Member

The next Audit Committee Meeting of the Shire of Perenjori will be held on Thursday 16th March 2017 in the Council Chambers, Fowler Street, Perenjori commencing at 11.30 am.

Ali Mills  
Chief Executive Officer  
10th March 2017

## **Shire of Perenjori Audit Committee Meeting 16th March 2017**

### **Agenda**

10th March 2017  
Copies forward to:

All Councilors

Cr KJ Pohl  
Cr LC Butler  
Cr JM Hirsch  
Cr LJ Smith

Shire of Perenjori

AGENDA

Audit Committee Meeting

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To be held in the Shire of Perenjori Council Chambers, Fowler Street, Perenjori on the 16<sup>th</sup> March 2017, to commence at 11.30 am.

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**17031 PRELIMINARIES****17031.1 RECORD OF ATTENDANCE AND APOLOGIES****17031.2 CONFIRMATION OF MINUTES**

Minutes from the last Audit meeting on the 17<sup>th</sup> December 2015 are attached.

**17032 ADOPTION OF COMPLIANCE AUDIT RETURN**

<b>APPLICANT:</b>	<b>SHIRE OF PERENJORI</b>
<b>FILE:</b>	<b>ADM 0081</b>
<b>DISCLOSURE OF INTEREST:</b>	<b>NIL</b>
<b>AUTHOR:</b>	<b>PETER MONEY - MCDS</b>
<b>RESPONSIBLE OFFICER</b>	<b>PETER MONEY - MCDS</b>
<b>REPORT DATE:</b>	<b>17<sup>TH</sup> MARCH 2016</b>
<b>ATTACHMENTS</b>	<b>COMPLIANCE AUDIT RETURN 2015</b>

**Executive Summary**

This Item recommends that the Audit Committee accepts the attached Compliance Audit Return.

**Background**

Local Governments are required to carry out a compliance audit in relation to the period 1 January to 31 December each year relative to the requirements set out in the attached document.

The Return is completed online via the Department of Local Government (DLGC) website and provided to the Audit Committee prior to being referred to the Council for adoption.

The document is prepared by the MCDS and is then forwarded to the CEO, MIS, Accountant and Administration Officer who each check the responses according to their area of responsibility.

Those answers are then fed into the online document which is printed and presented to all Councilors.

The Return addresses various compliance matters with which local government CEO'S must advise the Department they have complied with or explain why a matter was not compliant.

A comment has been made against question 1 of the *Tenders for Providing Goods and Services* section in which the Shire was not compliant, in regards to the tender process for the senior independent units.

The Return must be provided to the Department by 31<sup>st</sup> March each year after it has been adopted by the Council and signed by the President and CEO.

**Statutory Environment**

*Local Government (Audit) Regulations 1996 clause 14* requires adoption of the Return prior to providing it to the Department of Local Government.

**Policy Implications**

Nil

**Financial Implications**

Nil

**Strategic Implications**

Area 5: Investing in Councils Capacity – Our Leadership

Goal: Strengthen the shires 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 ensuring compliance with Acts and Regulations ensuring accountability to the Council and community.	The level of risk is dependent on the implications of compliance or non-compliance.	Each relevant employee reports on matters of compliance for their area of responsibility.

**Consultation**

CEO

SFO

MIS

Administration Officer

**Comment**

The annual audit conducted by RSM noted a matter of non-compliance in the tender process. There were no other matters that were unresolved in the Auditors Report.

**Voting Requirements – Absolute Majority****Officers Recommendation – Item 17032**

**That the Audit Committee accepts the Compliance Audit Return 2016 as attached and recommends the document for adoption by the Council.**

**17032.1 FINANCIAL MANAGEMENT REVIEW – PROGRESS REPORT**

**APPLICANT:** SHIRE OF PERENJORI

**FILE:** ADM 0087

**DISCLOSURE OF INTEREST:** NIL

**AUTHOR:** ALI MILLS - CEO

**RESPONSIBLE OFFICER:** ALI MILLS - CEO

**REPORT DATE:** 16<sup>TH</sup> MARCH 2017

**ATTACHMENTS** NIL

**Executive Summary**

This item requires Council to receive the progress report on the Financial Management Review – Report.

**Background**

Chief Executive Officers (CEO's) are required by legislation 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 four financial years, and to report the results of the review to Council.

The CEO contracted Megan Shirt, to conduct the review as an external consultant. The review was conducted at the Administration office on the 25<sup>th</sup> and 26<sup>th</sup> May 2016. The review identified thirty two areas for improvement. The risk weighting for the improvements are summarized in the tables below from high to low. Many of the items related to the development of procedures which ensure work practices are sustained in a consistent way.

Council MCDS and team have worked to complete many of the actions with only six left to be completed. Where procedures or policies were required to be developed these have been cited by the CEO, with discussions with the relevant staff member to verify their understanding and use of them.

**Statutory Environment**

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

**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
Financial and compliance objectives may not be achieved if core financial systems are not regularly reviewed to ensure they remain relevant and effective.	A moderate consequence which is possible resulting in medium level of risk.	Appoint qualified professionals to critically evaluate the Shires core financial systems once every four years.

**Consultation**

Nil

**Comment**

The report confirms that the Shire of Perenjori's financial systems are adequate but further refinements can be made by implementing the recommendations.

**Voting Requirements – Simple Majority**

**Officers Recommendation – Item 17032.1**

**That the audit committee recommends to the Council that the progress report on the review of the Shire’s financial management systems and procedures be received, and that a further progress report be presented to Council at the next Audit committee meeting.**

**17033 OTHER BUSINESS**

**17033.1 DATE OF NEXT MEETING / MEETINGS**

To be advised.

**17033.2 CLOSURE**



**Perenjori**  
Embrace Opportunity

# *Attachments*

*Audit Committee Meeting  
16th March 2017*



## Perenjori - Compliance Audit Return 2016

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2016.	N/A		Peter A. Money
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2016.	N/A		Peter A. Money
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2016.	N/A		Peter A. Money
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2016.	N/A		Peter A. Money
5	s3.59(5)	Did the Council, during 2016, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Peter A. Money





<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Peter A. Money
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Peter A. Money
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Peter A. Money
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Peter A. Money
5	s5.18	Has Council reviewed delegations to its committees in the 2015/2016 financial year.	N/A		Peter A. Money
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Peter A. Money
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Peter A. Money
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Peter A. Money
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Peter A. Money
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Peter A. Money
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Peter A. Money
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2015/2016 financial year.	Yes		Peter A. Money
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Peter A. Money

<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Peter A. Money
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Peter A. Money



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Peter A. Money
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Peter A. Money
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Peter A. Money
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2016.	Yes		Peter A. Money
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2016.	Yes		Peter A. Money
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Peter A. Money
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Peter A. Money
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Peter A. Money
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Peter A. Money
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Peter A. Money
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Peter A. Money
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Peter A. Money



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Peter A. Money
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Peter A. Money

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Peter A. Money
2	s3.58(4)	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.	Yes		Peter A. Money

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A		Peter A. Money

### Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Peter A. Money
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Peter A. Money
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Peter A. Money
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Peter A. Money





No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government within 30 days of completion of the audit.	Yes		Peter A. Money
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government by 31 December 2016.	Yes		Peter A. Money
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	Yes		Peter A. Money
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	Yes		Peter A. Money
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	Yes		Peter A. Money
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Peter A. Money
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Peter A. Money
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Peter A. Money
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Peter A. Money
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Peter A. Money



<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Peter A. Money
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Peter A. Money
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Peter A. Money
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Peter A. Money
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Peter A. Money

### **Official Conduct**

<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Peter A. Money
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Peter A. Money
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Peter A. Money
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Peter A. Money
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Peter A. Money
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Peter A. Money



### Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11 (1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11 (2)).	No	When the preferred contractor went into administration and two additional contractors were accepted to be assessed along with one original contractor one of the 'new' contractors was awarded the contract.	Peter A. Money
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Peter A. Money
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Peter A. Money
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Peter A. Money
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Peter A. Money
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Peter A. Money
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A		Peter A. Money
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Peter A. Money
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Peter A. Money
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Peter A. Money
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Peter A. Money
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Peter A. Money





No	Reference	Question	Response	Comments	Respondent
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Peter A. Money
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Peter A. Money
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes		Peter A. Money
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Peter A. Money
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Peter A. Money
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Peter A. Money
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Peter A. Money
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Peter A. Money
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	Yes		Peter A. Money
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	Yes		Peter A. Money



No	Reference	Question	Response	Comments	Respondent
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	Yes		Peter A. Money
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Peter A. Money
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Peter A. Money

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Perenjori

\_\_\_\_\_  
Signed CEO, Perenjori





**Perenjori**  
Embrace Opportunity

# *Previous Minutes*

*Audit Committee Meeting  
13th December 2016*

Shire of Perenjori

MINUTES

Audit Committee Meeting

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Held in the Council Chambers, Fowler Street, Perenjori on the 13<sup>th</sup> 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 18<sup>th</sup> 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 18<sup>th</sup> August 2016 are accepted as a true and correct record of that Meeting.**

**Carried: 5/0**

**16122 ADOPTION OF THE ANNUAL REPORT 2015/2016**

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

**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 8<sup>th</sup> February 2017.
- It is proposed that the annual meeting of Electors be held at 5.00 pm on Tuesday 7<sup>th</sup> 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 30<sup>th</sup> September and the auditor is to prepare a report in respect of the Financial Statements by 31<sup>st</sup> 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 7<sup>th</sup> 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 7<sup>th</sup> February 2017 in Perenjori and authorise the statutory advertising.**

**Carried: 5/0**

**16122.1 RISK MANAGEMENT REVIEW**

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

**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**

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

**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.