



Audit and Risk Management Committee Meeting

Minutes

Tuesday 10 March 2020

Venue: Council Chambers,
9 Lynch Street Corrigin

TERMS OF REFERENCE

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."

1.0 INTRODUCTION

The Council of the Shire of Corrigin (hereinafter called the "Council") hereby establishes a committee under the powers given in Section 5.8 and Section 7.1 A of the Local Government Act 1995, Local Government Amendment Act 2004 and Audit Regulations, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the "Committee"). The Council appoints to the Committee those persons whose names appear in Section 4.0 below.

Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire's local government elections are held, after which time the Council may appoint members for a further term. The Committee shall act for and on behalf of Council in accordance with provisions of the Local Government Act 1995, the Local Government Amendment Act 2004 and the Local Government (Audit) Amendment Regulations 2005, local laws and policies of the Shire of Corrigin and this Instrument.

2.0 NAME

The name of the Committee shall be the Audit and Risk Management Committee.

3.0 ROLE

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

4.0 OBJECTIVES OF THE COMMITTEE

- 4.1 To provide guidance and assistance to the Council in:
 - a) carrying out its audit functions under Part 7 of the Local Government Act;
 - b) the development of a process to be used to select and appoint an auditor;
 - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire;
 - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration's actions on, and responses to, any significant matters raised by the auditor;
 - e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council;
 - f) receiving and verifying the annual Local Government Statutory Compliance Return;

- g) review reports provided by the CEO on the Shire's systems and procedures in relation to:
 - i. risk management;
 - ii. internal control; and
 - iii. legislative compliance;
- h) at least once every 3 years and report to Council the results of that review. Ref: Functions of Audit Committees (Audit Regulations).

- 4.2 To advise Council on significant high level strategic risk management issues related to the Shire of Corrigin including issues involving:
- a) the community;
 - b) the workforce;
 - c) vehicles and plant;
 - d) buildings and similar property;
 - e) revenue streams;
 - f) legal liability;
 - g) electronically stored information;
 - h) environmental impact;
 - i) fraud; and
 - j) reputation.

5.0 MEMBERSHIP

The Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements.

Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules. No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

6.0 PRESIDING MEMBER

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business. The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Corrigin Standing Orders (Local Law). The Local Government Act 1995 places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees. The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

7.0 CONDUCT OF MEETINGS

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial Report. Additional meetings shall be convened at the discretion of the Presiding Member.

Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting. From a time management point of view, urgent matters which may arise should be referred directly to Council through the bi-monthly meetings or to a Special Council meeting.

- 7.1 Notice of meetings shall be given to members at least 3 days prior to each meeting.
- 7.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than 5 days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 7.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 7.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 7.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 7.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

8.0 QUORUM

Quorum for a meeting shall be at least 50% of the number of officers, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

9.0 DELEGATED POWERS

The Committee has no delegated powers under the Local Government Act and is to advise and make recommendations to Council only. The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body. The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The following guidelines are to provide further direction from Council for the operation of the Committee:

9.1 The External Audit

The Committee shall:

- Develop the process of appointment of the external auditor and recommend a suitable Auditor for appointment by Council. Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor. Invite the external auditor to attend audit committee meetings to discuss the audit results and consider the implications of the external audit findings.
- Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.
- Monitor management responses to the auditor's findings and recommendations.
- Review the progress by management in implementing audit recommendations and provide assistance on matters of conflict.
- Provide a report and recommendations to Council on the outcome of the external audit.

9.2 Co-ordination of Auditors

The Committee shall:

- Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.
- Meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

9.3 Duties and Responsibilities

The following duties and responsibilities of the Committee will include:

- i. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:

- internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- ii. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
 - iii. Review the level of resources allocated to internal audit and the scope of its authority.
 - iv. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
 - v. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
 - vi. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.
 - vii. Review management's response to, and actions taken as a result of the issues raised.
 - viii. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
 - ix. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
 - x. Review Council's draft annual financial report, focusing on:
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements;
 - significant variances from prior years.
 - xi. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
 - xii. Discuss with the external auditor the scope of the audit and the planning of the audit.
 - xiii. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
 - xiv. Review tendering arrangements and advise Council.
 - xv. Review the annual performance statement and recommend its adoption to Council.
 - xvi. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
 - xvii. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
 - xviii. Monitor the progress of any major lawsuits facing the Council.
 - xix. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
 - xx. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
 - xxi. The Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
 - xxii. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
 - xxiii. Advise Council on significant risk management issues related to the Shire of Corrigin including major issues involving:
 - The Community;

- The Workforce;
 - Vehicles and Plant;
 - Buildings and Similar Property;
 - Revenue Streams;
 - Legal Liability;
 - Electronically Stored Information;
 - Environmental Impact;
 - Fraud; and
 - Reputation.
- xxiv. Review reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
- risk management;
 - internal control; and
 - legislative compliance and report to Council.

9.4 Reporting Powers

The Committee:

- Shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.
- Does not have executive powers or authority to implement actions in areas that management has responsibility.
- Is independent of the roles of the Chief Executive Officer and his senior staff as it does not have any management functions.
- Does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities.
- Is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.
- Shall after every meeting forward the minutes of that meeting to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- Shall report annually to the Council summarising the activities of the Committee during the previous financial year.

10.0 TERMINATION OF COMMITTEE

Termination of the Committee shall be:

- a) in accordance with the Local Government Act 1995; or
- b) at the direction of the Council.

11.0 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION

This document may be altered at any time by the Council.

12.0 COMMITTEE DECISIONS

The Committee recommendations are advisory only and shall not be binding on Council

1. DECLARATION OF OPENING

The President, Cr Des Hickey opened the meeting at 4.00pm.

2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Shire President
Deputy Shire President

Cr. D L Hickey
Cr. M A Weguelin
Cr. F R Gilmore
Cr. S G Hardingham
Cr S Jacobs
Cr S Coppen

Chief Executive Officer
Deputy Chief Executive Officer
Executive Support Officer

N A Manton
K A Caley
K L Biglin

(by telephone)
Director, Moore Stephens
Manager, Moore Stephens
Director, Office of the Auditor General

G Chan
Greg Godwin
Suraj Karki

APOLOGIES

Cr. M B Dickinson

LEAVE OF ABSENCE

NIL

Cr Weguelin left the room at 4.01pm

3. DECLARATIONS OF INTEREST

4. CONFIRMATION AND RECEIPT OF MINUTES

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 17 December 2019 (Attachment 4.1) be confirmed as a true and correct record.

COMMITTEE'S RESOLUTION

Moved: Cr Mason Seconded: Cr Coppen

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 17 December 2019 (Attachment 4.1) be confirmed as a true and correct record.

Carried 5/0

5. MATTERS ARISING FROM MINUTES

NIL

Cr Weguelin re-entered the room at 4.04pm

7. MATTERS REQUIRING A COMMITTEE DECISION

7.1 MEETING WITH AUDITOR

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0058
Attachment Ref:	Attachment 7.1 - Audit Strategy Memorandum Confidential

SUMMARY

The Shire of Corrigin Audit and Risk Management Committee is required to meet with the auditor annually.

BACKGROUND

Moore Stephens Chartered Accountants has been engaged by the Office of the Auditor General (OAG) Western Australia to perform an audit of the Shire of Corrigin's annual financial report for the year ending 30 June 2020.

An Audit Strategy Memorandum has been prepared and sets out the proposed strategy for the audit. The key purpose of this memorandum are to:

- set out the audit scope and approach in summary;
- identify and communicate the key audit risk areas which we expect to be the focus of the audit procedures; and
- promote effective communication between the auditor and those charged with governance.

Representatives from the OAG and Moore Stephens will meet with the audit committee to provide an overview of the audit process for 2020 and respond to questions from committee members

Mr Suraj Karki, OAG Director Financial Audit and Mr Greg Godwin, Director, Moore Stephens, and Mr Gilles Chan, Manager Moore Stephens, will attend the meeting by telephone.

COMMENT

The interim audit is planned for 23-25 March 2020 and final visit from 12-14 October 2020. The annual report is expected to be finalised in November 2020 ready for endorsement at the Council meeting on 15 December 2020.

STATUTORY ENVIRONMENT

Local Government Act 1995 (WA)

Local Government (Audit) Regulations 1996

Part 7 of the Act and the Local Government (Audit) Regulations 1996 (the Regulations) outlines the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;

POLICY IMPLICATIONS

8.11 Audit and Risk Management Committee

8.12 Appointment of an Auditor, Scope of Works and Notification of Appointments

FINANCIAL IMPLICATIONS

The indicative fee for the 2019/20 audit is still to be confirmed but is expected to be approximately \$55,000 (exc gst).

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.2	Undertake strategic planning and ensure legislative compliance	4.1.2.1	Review Council's Community Strategic Plan to ensure it remains aligned to the community's vision, aspirations and desired outcomes
		4.1.2.2	Annual review of Council's policies and Corporate Business Plan
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.2	Regular review of Integrated Planning and Reporting documents and informing strategies including Long Term Financial Plan, Asset Management Plan and Workforce Plan
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

The President thanked Moore Stephens for their reports and disconnected the conference call at 4.35pm.

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Mason **Seconded: Cr Jacobs**

That the Audit and Risk Management Committee endorse the Audit Strategy Memorandum outlining the scope, approach and key deliverables of the audit of the annual financial report for the year ending 30 June 2020.

Carried 6/0

7.2 INTERNAL AUDIT - APPOINTMENT OF AUDITOR

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.00*
Attachment Ref:	Attachment 7.2 - Arrangements for the Audit of the Annual Financial Report of the Shire of Corrigin

SUMMARY

This item requests that the Audit and Risk Management Committee acknowledge the responsibility for the audit to be conducted by the Office of the Auditor General for the current and subsequent financial years.

BACKGROUND

The CEO has received correspondence from the Office of the Auditor General confirming the arrangements for the Audit of the Annual Financial Report for the 2019/2020 financial year and subsequent years.

Moore Stephens, the existing Shire of Corrigin auditor, has been engaged by the Office of the Auditor General to conduct the audit for the 2019/20 audit.

A copy of the correspondence is provided at Attachment 7.2.

COMMENT

The Shire of Corrigin Council and the Chief Executive Officer are required to acknowledge responsibility for the following:

- (a) keeping proper accounts and records
- (b) the preparation and fair presentation of the annual financial report in accordance with the Local Government Act 1995 (the Act), Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards
- (c) such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error
- (d) providing you with:
 - (i) access to all information that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that you may request from us for the purpose of the audit; and
 - (iii) unrestricted access to persons within the Shire from whom you determine it necessary to obtain audit evidence.
- (e) the preparation of other information included in the Shire's annual report that is consistent with the financial report, and which does not contain any material misstatements.

As part of the audit process, the auditor will also request, from the Chief Executive Officer and the Deputy CEO, written confirmation concerning representations made in connection with the audit.

The Shire President and CEO have previously acknowledged the arrangements by signing and returning the letter.

STATUTORY ENVIRONMENT

Local Government Act 1995
Local Government Audit Regulations 1996

POLICY IMPLICATIONS

8.1 Audit and Risk Management Committee

FINANCIAL IMPLICATIONS

Details of the cost of the audit are not known at this stage but are expected to be provided by the Office of the Auditor General in the next month.

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Absolute Majority

COMMITTEE'S RESOLUTION

Moved: Cr Coppen Seconded: Cr Weguelin

That the Audit and Risk Management Committee acknowledge the responsibilities for the audit to be conducted by Moore Stephens on behalf of the Office of the Auditor General for the year ending June 2020 including the responsibilities of the President and CEO.

Carried 6/0

7.3 FRAUD AND ERROR ASSESSMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0058
Attachment Ref:	nil

SUMMARY

The Shire of Corrigin Audit and Risk Management Committee is requested to consider the risk and error assessment checklist prior to the interim audit.

BACKGROUND

In performing the audit engagement, the Australian Auditing Standards require the auditor, Moore Stephens on behalf of the Office of the Auditor General (OAG), to consider the risk that fraud or error could occur within the Shire of Corrigin for the year ended 30 June 2020.

The standards require the auditor to make enquiries of those charged with governance of the risk of fraud or error within the organisation.

The fraud and error assessment checklist requires the Chair of the Audit and Risk Management Committee to answer the following questions prior to the commencement of the audit.

1. Do you believe the policies and procedures in place within the organisation are adequate to minimise the risk of fraud to an appropriately low level? If no, please provide an explanation and reasons for your answer.
2. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.
3. Have you, during the past year, become aware of or suspected fraud within the organisation? If yes, please provide details.
4. If there any concerns or questions you would like us to address during the course of our audit, please describe.

COMMENT

The Audit and Risk Management Committee will meet with representatives of the OAG and Moore Stephens on 10 March 2020.

The interim audit is planned for 23-25 March 2020 and final visit from 12-14 October 2020.

STATUTORY ENVIRONMENT

Local Government Act 1995 (WA)

Local Government (Audit) Regulations 1996

Part 7 of the Act and the Local Government (Audit) Regulations 1996 (the Regulations) outlines the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;

POLICY IMPLICATIONS

8.11 Audit and Risk Management Committee

8.12 Appointment of an Auditor, Scope of Works and Notification of Appointments

FINANCIAL IMPLICATIONS

The indicative fee for the 2019 audit is expected to be approximately \$55,000 (exc gst).

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.2	Undertake strategic planning and ensure legislative compliance	4.1.2.1	Review Council's Community Strategic Plan to ensure it remains aligned to the community's vision, aspirations and desired outcomes
		4.1.2.2	Annual review of Council's policies and Corporate Business Plan
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.2.3	Regular review of Integrated Planning and Reporting documents and informing strategies including Long Term Financial Plan, Asset Management Plan and Workforce Plan
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Mason

Seconded: Cr Gilmore

That the Audit and Risk Management Committee authorise Cr Hickey as the Shire President and Chair of the Audit Committee to complete of the Fraud and Error Assessment for the year ending 30 June 2020.

Carried 6/0

Fraud and Error Assessment by the Audit Committee

TO THE CHAIR OF THE AUDIT COMMITTEE

RE: FRAUD AND ERROR ASSESSMENT FOR THE YEAR ENDED 30 JUNE 2020.

In performing the audit engagement, the Australian Auditing Standards require us to consider the risk that fraud or error could occur within the organisation for the year ended 30 June 2020.

These standards require us to make enquiries of those charged with governance of the risk of fraud or error within the organisation.

Therefore, we would appreciate you taking the time to briefly answer the following questions in the spaces provided, and return this letter, preferably before the commencement of the audit.

1. Do you believe the policies and procedures in place within the organisation are adequate to minimise the risk of fraud to an appropriately low level? If no, please provide an explanation and reasons for your answer.
Yes No
2. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.
Yes No
3. Have you, during the past year, become aware of or suspected fraud within the organisation? If yes, please provide details
Yes No
4. If there any concerns or questions you would like us to address during the course of our audit, please describe.
Yes No

Council Name

Reply Completed by

Signed

Date

7.4 COMPLIANCE AUDIT RETURN

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	CM.0001
Attachment Ref:	Attachment 7.4 - Compliance Audit Return 2019

SUMMARY

The purpose of this report is to provide the Audit Committee with the 2019 Compliance Audit Return for the period 1 January 2019 to 31 December 2019. The Audit Committee is requested to review the 2019 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 2020. The period examined by this audit is 1 January 2019 to 31 December 2019.

The completed return is required to be:

- Reviewed by the Audit Risk Management Committee.
- Considered and adopted by Council.
- Certified by the President and CEO following Council adoption.
- Submitted together with a copy of the Council Minutes to the Department by 31 March 2020.

The report assists the Shire of Corrigin to monitor legislative compliance by examining a range of prescribed requirements under Regulation 13 of the Local Government (Audit) Regulations 1996 in detail. The audit findings must be recorded in the supplied proforma which has been completed and is provided as Attachment 7.4.

COMMENT

The Compliance Audit Return has been carried out by the Chief Executive Officer in conjunction with the administration staff and no matters of non-compliance against the following criteria have been identified.

- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Tenders for Providing Goods and Service
- Delegation of Power / Duty
- Disposal of Property
- Finance
- Commercial Enterprises by Local Governments

STATUTORY ENVIRONMENT

Local Government Act 1995,

Section 7.13(1)(i) of the Local Government Act 1995 requires local governments to carry out an audit of compliance with statutory requirements prescribed in the Local Government (Audit) Regulations 1996, in the prescribed manner and in the form approved by the Minister.

Regulation 13 of the Local Government (Audit) Regulations 1996 sets out the statutory requirements which may be included in the compliance audit.

Regulation 14 Compliance Audits by Local Governments

- 1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- 2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- 3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
 - 3) *After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

Regulation 15 Compliance Audit Return, certified copy of etc. to be given to Executive Director

- 1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
 - (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) *any additional information explaining or qualifying the compliance audit,**is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
- 2) *In this regulation —*
certified in relation to a compliance audit return means signed by —
 - (a) *the mayor or president; and*
 - (b) *the CEO.*

POLICY IMPLICATIONS

8.1 Audit and Risk Management Committee

FINANCIAL IMPLICATIONS

NIL

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Coppen Seconded: Cr Jacobs

That the Audit and Risk Management Committee accepts the completed Compliance Audit Return for the period 1 January 2019 to 31 December 2019 as attached in Attachment 7.4 and recommend to Council that the return be adopted.

Carried 6/0

7.5 INTERNAL AUDIT – EXCESS ANNUAL LEAVE AND LONG SERVICE LEAVE

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	PER.0051
Attachment Ref:	NIL

SUMMARY

Council resolved in 2017 that Shire management continue to provide Annual Leave and Long Service Leave progress reports to the Committee.

BACKGROUND

Excess annual leave was previously noted as an area of risk by auditors. Over the past year the Audit and Risk Management Committee have reviewed the excess annual and long service leave at the quarterly meetings.

In June 2018 there was a significant leave liability of \$498,900 and 10 staff members with excess leave. The previous management culture of the organisation did not identify excess leave and encourage it to be taken. Throughout 2018 and 2019 staff were sent a memo outlining the importance of taking leave and encouraging them to reduce leave balances over the next 2-3 months. The memo outlined the following risks associated with excess leave excessive leave accruals:

- Increased financial liability due to accumulated leave accruals;
- Wellbeing effects of employees not having time away from work and risk of burnout;
- Decrease in productivity;
- Risk of covering up fraudulent activities; and
- Increase in contract or relief staff to cover periods of extended leave.

At this time there were eight employees in the works department with annual leave in excess of two years. With a works staff of approximately 20 it was challenging having staff on leave while ensuring there were enough resources available to complete the capital works program and shire activities.

Employees covered by the existing Enterprise Agreement 2018 were advised that they were entitled to cash out their annual leave with the following conditions:

- At least at least four weeks annual leave must be retained.
- There must be a signed, written agreement with their employer on each occasion (that outlines the amount of leave being cashed out, the amount they will be paid and the date it will be paid).
- The payment for the cashed out leave has to be the same as what the employee would have been paid if they took the leave.
- It is unlawful for an employer to force (or try to force) an employee to make (or not make) an agreement to cash out annual leave.

At the September 2018 meeting of the Audit and Risk Management Committee the leave liability had been reduced to \$450,000 and the number of staff with leave in excess of eight weeks was reduced to seven.

A new leave policy was adopted by Council on 16 October 2018 outlining the management of annual and long service leave.

There is currently only one member of staff with annual leave over eight weeks and that employee has recently returned from Long Service Leave. At the end of February 2020 the annual leave liability has been reduced to \$191,904.75. This balance is expected to be further reduced as two employees are currently on annual leave.

COMMENT

The Shire of Corrigin previously had a significant current liability for annual and long service leave and this had been raised by the auditors as an issue to be managed to ensure financial stability as well as maintain adequate staff resources to deliver services to the Council and community.

Having employees with excessive leave accruals can have the following impact:

- Increased financial liability due to accumulated leave accruals;
- Increased financial liability due to increments in employee rate of pay, as the rate of pay is the current rate at the time at which is taken or paid, not the time at which it was accrued;
- Wellbeing effects of employees not having time away from work and risk of burnout;
- Decrease in productivity;
- Risk of covering up fraudulent activities; and
- Increase in contract or relief staff to cover periods of extended leave.

STATUTORY ENVIRONMENT

Local Government Act 1995,
Local Government (Long Service Leave) Regulations
Shire of Corrigin Enterprise Agreement 2014

POLICY IMPLICATIONS

3.1 Risk Management Policy
2.17 Significant accounting policies

FINANCIAL IMPLICATIONS

Current liability for annual leave has been reduced during 2018 and 2019 to \$ 191,904.75.

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Gilmore **Seconded: Cr Mason**
That the Audit and Risk Management Committee receive and note the Excess Annual Leave Report.

Carried 6/0

7.6 INTERNAL AUDIT – RISK MANAGEMENT REVIEW

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0023
Attachment Ref:	Attachment 7.6 – Risk Management Review Dashboard

SUMMARY

This Internal Audit - Risk Management Review report seeks to provide an update on the assessment, impact and controls to mitigate risks using a risk management tool.

BACKGROUND

Council adopted a Risk Management Framework - Policy and Procedures in September 2018 to document the Shire's commitment and objectives regarding managing risk that may impact the Shire's strategies, goals or objectives.

The Risk Management Framework - Policy and Procedures document was initially prepared with assistance from LGIS as part of the overall Risk Management Governance Framework.

The Risk Management Review Dashboard summaries the following risks:

- Asset Sustainability
- Business and Community Disruption
- Compliance Requirements
- Document Management
- Employment Practices
- Engagement Practices
- Environmental Management
- Errors, Omissions and Delays
- External theft and fraud
- Management of Facilities/Venues and Events
- IT Communication systems
- Misconduct
- Project/ Change Management
- Safety and Security practices
- Supplier Contract management

COMMENT

Internal risk management reviews are completed twice per annum with the previous report in December 2019.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996
Section 17 CEO to review certain systems and procedures

POLICY IMPLICATIONS

3.1 Risk Management Policy

FINANCIAL IMPLICATIONS

NIL

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership
Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Weguelin

Seconded: Cr Jacobs

That the Audit and Risk Management Committee receive the updated Internal Audit Risk Management Report- Dashboard update.

Carried 6/0

7.7 BUDGET REVIEW

Applicant:	Shire of Corrigin
Date:	5/03/2020
Reporting Officer:	Kylie Caley, Deputy Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0022
Attachment Ref:	Attachment 7.7 Budget Review Report

SUMMARY

Council is being requested to adopt the Annual Budget Review for the year ending 30 June 2020.

BACKGROUND

The *Local Government (Financial Management) Regulations 1996* require Council to undertake a review of its Budget in each financial year between 1 January and 31 March. A Statement of Financial Activity incorporating year to date budget variations and forecasts for the period ending 31 January 2020 is presented for Council to consider. A copy of the review and determination is to be provided to the Department of Local Government within 30 days of the adoption of the review.

COMMENT

A review of the actual expenses to date compared to the 2019/20 adopted budget has been conducted and the expected variances are show in the attached report.

The budget review has been prepared to include information required by the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards*. Council adopted a 10% and a \$10,000 minimum for the reporting of material variances to be used in the statements of financial activity and the annual budget review.

The budget has been reviewed to continue to deliver on other strategies adopted by council and maintain a high level of services across all programs. The budget has also been reviewed on sound financial management and accountability principles and is considered to deliver a sustainable economic outcome for council and the community.

STATUTORY ENVIRONMENT

Local Government Act 1995, Section 6.68

Local Government (Financial Management) Regulations 1996 33a

POLICY IMPLICATIONS

NIL

FINANCIAL IMPLICATIONS

Budget variations outlined in budget review document.

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Absolute Majority

COMMITTEE'S RESOLUTION

Moved: Cr Coppen Seconded: Cr Gilmore

That the Audit and Risk Management Committee recommend to Council that

- 1. the Review of Budget Report for the year ending 30 June 2020 be adopted in accordance with Regulation 33a of the Local Government (Financial Management) Regulations 1996 (Attachment 7.7).*
- 2. the adopted Budget Review be forwarded to the Department of Local Government in accordance with the Local Government (Financial Management) Regulations 1996.*

Carried 6/0

7.8 REPORT OF SIGNIFICANT FINDING FROM 2018/19 AUDIT

Applicant:	Shire of Corrigin
Date:	3/01/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0210
Attachment Ref:	NIL

SUMMARY

The Audit and Risk Management Committee is asked to consider the response to the significant findings identified in the Audit Concluding Memorandum for the year 30 June 2019.

BACKGROUND

The 2018/19 audited financial statement and management report was received by the Audit and Risk Management Committee on 17 December 2019 and endorsed by Council later the same day. The meeting was attended by the Auditor Mr Greg Godwin of Moore Stephens by telephone and an overview of the audit and management report was provided.

Mr Steven Hoar attended the meeting in person representing the Office of Auditor General.

The Audit and Risk Management Committee discussed the significant findings from the 2018/19 audit during the close out meeting but has not formally received the report on the actions the Shire of Corrigin has taken or intends to take in relation to matters raised.

COMMENT

The Audit and Risk Management Committee is required to examine the report of the Auditor and prepare a report on the actions the Shire of Corrigin has taken or intends to take in relation to matters raised.

STATUTORY ENVIRONMENT

Local Government Act 1995,

7.9 Audit to be conducted

7.12A. Duties of local government with respect to audits

- (4) A local government must —
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

POLICY IMPLICATIONS

8.11 Audit and Risk Management Committee

FINANCIAL IMPLICATIONS

NIL

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2018-2022:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Jacobs **Seconded: Cr Weguelin**

The Audit and Risk Management Committee receives the report on the actions taken in relation to matters raised in the 2018/19 audit and confirms that a copy of the report was sent to the Minister for Local Government, Sport and Cultural Industries on 3 January 2020.

Carried 6/0



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Our Ref: FM.0210
Contact: Natalie Manton
ceo@corrigin.wa.gov.au

3 January 2020

Department of Local Government, Sport and Cultural Industries
Gordon Stephenson House
PO Box 8349
PERTH BUSINESS CENTRE WA 6849

Dear Sir Madam

RE: ANNUAL REPORT AND AUDIT MANAGEMENT LETTER 2018-19

The Annual Report and financial statements for the 2018-19 financial year were received by the Audit and Risk Management Committee and Council on 17 December 2019. A copy of the Annual Report was been uploaded to the Smart Hub on 3 January 2020.

The management letter from the Auditor General for the Shire of Corrigin Annual Report 2018-19 noted a significant adverse trend in the Operating Surplus Ratio and Asset Sustainability Ratio. The matter was discussed with representatives from the Office of the Auditor General and Moore Stephens at the exit meeting of the Audit and Risk Management Committee on 17 December 2019.

The report provided to the Shire of Corrigin Audit and Risk Management outlined the contributing factors to the Operating Surplus Ratio and Asset Sustainability Ratio and actions to be taken to address the adverse trend.

A copy of the report is provided below and has been published on the Shire of Corrigin website.

The Shire of Corrigin is keen to ensure future compliance with all statutory requirements and aims to undertake work to a high standard while implementing best practice guidelines.

Please contact me if you require additional information or clarification of the issues raised in this letter.

Yours sincerely

Natalie Manton
Chief Executive Officer

Report on Significant Findings 2018-19 Final Audit

Finding 1- Significant adverse trend in Operating Surplus Ratio.

Management Comment

The statement of comprehensive income shows that the main reason the ratio is below the target range is due to the operating income being less than operating expense.

A significant contributor to the negative Operating Surplus Ratio in 2017/18 and 2018/19 was the flood damage repairs which were shown in the Statement of Comprehensive Income as an operating maintenance expense but funded externally. The grant funding from WA Natural Disaster Relief and Recovery Arrangements (WANDRRA) was received to cover the cost of road repairs which would not be been required in a normal year. This revenue is excluded from the ratio calculation.

The following actions have been taken, or are intended to be taken, to address the adverse trend in the Operating Surplus Ratio.

Long Term Asset and Financial Planning

Council has adopted a 10 year Strategic Resource Plan which encompasses the Asset Management and Long Term Financial Plans. This plan provides the Shire of Corrigin with a management tool to consider and analyse the impact of decision making on the overall financial position of the local government over time.

As part of the long term financial strategy the Shire of Corrigin will continue to maximise use of operating and non-operating funding opportunities as they become available.

Operating Income Rates

The ability of the Shire of Corrigin to increase revenue from rates is limited due to the relatively low number of rateable properties and a limited scope for increased Unimproved Value (UV), Gross Rental Value (GRV), commercial or mining rates to generate additional income. The long term financial plan includes planned rates increases slightly higher than the anticipated rise in the Consumer Price Index (CPI) to address backlog of renewals and assist in the financial stability of the shire while maintaining the level of service to the community. Rate revenue of approximately \$2.5m was raised 2018-19 and are expected to increase to \$4.4m in 2032-33.

Fees and Charges

With a projected relatively stable population of 1150 people, the Shire of Corrigin has a limited ability to generate additional income from fees and charges. The fees and charges were reviewed as part of the 2018/19 budget deliberations and items that had not been increased for some years were increased including: annual rental charges, cemetery fees and recreation usage fees. There is no real opportunity to generate additional income from commercial rents, parking etc.

Investment income

Investment income was increased by \$18,000 during the 2018/19 financial year by investing municipal funds in a term deposit and overnight cash deposit facility with WA Treasury.

Proceeds

Additional income was received from profit on disposal of assets. A reduction in the number of plant items is expected to reduce overall expenditure over ten year period.

Expenditure

The Shire of Corrigin is responsible for assets valued at approximately \$150million, of which roads and buildings make up the largest component. The Long Term Financial Plan forecasts the operating expenditure to remain relatively stable over the next ten years with depreciation and materials and contracts being the dominant operating expenditure items.

During 2018/19 Management and Council reviewed and analysed several large expenditure areas and have developed the following ten year plans:

- Capital and operations plan for Corrigin outdoor and indoor heated pools.
- Buildings capital and maintenance plans.
- Plant replacement plan.
- Road capital and maintenance plan

Reduced Operating Expenditure

Rationalised plant and equipment items to reduce ongoing cost of replacement program. The fair value and useful lives of assets were reviewed in an effort to reduce depreciation over the next 10 years.

Management will continue to identify savings on operating expenditure wherever possible.

No Forecast Borrowings

The Shire has not forecast the need for any additional borrowings over the next ten years to allow flexibility to respond to sudden or unexpected expenditure requirements or the loss of anticipated external grant funding.

Reserves

In order to remain financially sustainable the Shire of Corrigin long term financial plan includes the use of cash backed reserves to accumulate funds for significant future renewals of key assets.

Conclusion

The operating ratio highlights the Shire of Corrigin's reliance on external funding to fund renewals of assets. An analysis of neighbouring shires indicates that this is a common issue in the Wheatbelt region.

Council and management will continue to monitor income and expenditure as well as identifying ways to improve the operating position to increase the ratio above the acceptable target of 0.01. However this ratio is likely to remain below the benchmark in the coming years.

Finding 2 – Significant Adverse Trend in Asset Sustainability Ratio

A significant adverse trend was noted in the Asset Sustainability Ratio which measures capital expenditure on renewal and replacement of existing assets as a percentage of depreciation costs. The ratio indicates that assets may be deteriorating at a greater rate than spending on renewal or replacement.

Considered together with Asset Consumption Ratio which measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. The Shire of Corrigin Asset Consumption Ratio is 0.97 which is above the benchmark since 2015.

Over the past decade the Shire of Corrigin has invested capital funds into several new building and infrastructure assets including the Corrigin Recreation and Events Centre, Hydrotherapy pool and Adventure Playground. There are several building assets that have come to the end of their useful life and Council will consider replacing or rationalising the number of older buildings in the next decade.

Depreciation

Management has spent considerable time reviewing the fair value, depreciation rates and useful lives of assets in order to reduce the depreciation expense. It is anticipated that recent adjustments to depreciation combined with additional investment in asset renewal and upgrades will improve the Asset Sustainability Ratio over time.

Roads

The maintenance and renewal of the road network is a key priority for the Shire of Corrigin and one of the major expenditure items. The renewal of strategic grain haulage roads to a standard capable of carrying the forecast traffic loads is expected to be a significant financial challenge and well beyond the Shire's capacity if external renewal funding is not received.

The 10 year road program was recently adopted by Council and includes an average annual investment of \$1m for renewal of rural roads and town streets, \$800,000 on upgrades and \$625,000 maintenance expenditure. The Shire of Corrigin will continue to rely on grant funding to support this investment in road assets.

Finding 3 – Timecard entry into payroll software

During the audit it was found that labour and plant hours were entered into the payroll software using the pay-run date instead of the actual days worked.

Management Comment

Timecards are now entered into the payroll software with the actual date and not the pay run date.

8. NEXT MEETING

The next meeting of the Audit and Risk Management Committee is scheduled for Tuesday 9 June 2020 at 6pm.

9. MEETING CLOSURE

President, Cr Hickey closed the meeting at 5.13pm.

President:  Date: 10/7/2020