



# Audit and Risk Management Committee Meeting

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## Minutes

Tuesday 20 October 2020

commencing at 11.30am

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 11.26pm.

## 2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Shire President  
Deputy Shire President

Cr. D Hickey  
Cr. M Weguelin  
Cr. J Mason  
Cr. S Jacobs  
Cr. S Coppen  
Cr. M Dickinson

Chief Executive Officer

N A Manton

### APOLOGIES

Cr. F Gilmore

### LEAVE OF ABSENCE

## 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 9 June 2020 (Attachment 4.1) be confirmed as a true and correct record.

### COMMITTEE'S RESOLUTION

**Moved: Cr Mason**                      **Seconded: Cr Weguelin**

*That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 9 June 2020 (Attachment 4.1) be confirmed as a true and correct record.*

**Carried 6/0**

## 5. MATTERS ARISING FROM MINUTES

## 6. REPORTS

NIL

## 7. MATTERS REQUIRING A COMMITTEE DECISION

### 7.1 INTERNAL AUDIT – RISK MANAGEMENT REVIEW

Applicant:	Shire of Corrigin
Date:	15/10/2020
Reporting Officer:	Heather Talbot, Governance Project 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 on 9 June 2020 to document the Shire's commitment and objectives regarding managing risk that may impact the Shire's strategies, goals or objectives.

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 March 2020.



**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 Jacobs**                      **Seconded: Cr Dickinson**  
That the Audit and Risk Management Committee receive the updated Internal Audit Risk Management Report- Dashboard update.

**Carried 6/0**

## 7.2 REPORT OF BREACH LOCAL GOVERNMENT ACT 1995 S 5.75

Applicant:	Shire of Corrigin
Date:	15/10/2020
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	GOV.0003
Attachment Ref:	NIL

### SUMMARY

The Audit and Risk Management Committee is asked to review the report on a breach of section 5.75 of *Local Government Act 1995* regarding the failure of two designated employees to lodge a primary and annual return during 2019.

### BACKGROUND

Shire of Corrigin staff recently conducted an internal audit into the procedures for the completion and keeping of a register of Primary and Annual Returns by Councillors and designated employees of the Shire.

The audit revealed a breakdown in the systems and processes whereby two employees did not submit a Primary Return within three months of becoming a designated employee. The staff members were existing employees who had been employed with the Shire for a number of years.

As part of a review of the 2019 Shire delegations register both employees were given a new delegation under the *Local Government Act 1995* in July 2019. The obligation to lodge a Primary and Annual Return is with the relevant person however these employees were not aware of the need to complete a Primary Return once they became a designated employee.

The failure of a designated employee to complete a Primary and Annual Return is a breach of section 5.75 of the *Local Government Act 1995* and as such the CEO was required to report these breaches to the Corruption and Crime Commission (CCC) as serious misconduct.

The breach was reported to the CCC in accordance with these obligations under the *Corruption, Crime and Misconduct Act 2003 (CCMA)* on 23 July 2020. The reports to the Commission may be referred to this Department of Local Government, Sport and Cultural Industries for investigation under the provision of section 33(1)(c) of the CCMA.

The Department of Local Government, Sport and Cultural Industries was also notified of the breach on 23 July 2020.

The failure of a designated employee to lodge a primary and annual return identified in the internal audit also highlighted an error in the response to question 9 in the disclosure of interests section of the Compliance Audit Return 2019.

The response to question 9 in relation to the submission of an annual return submitted by all designated employees by 31 August 2019 (s5.76(1) Admin Reg 23 Form 3) was shown as Yes whereas the response was subsequently found to be incorrect and the response should have been No.

The 2019 Compliance Audit Return was reviewed by the Audit and Risk Management Committee on 10 March 2020 and was endorsed by Council at the ordinary Council meeting held on 17 March 2020.

The Compliance Audit Return 2019 was submitted to the Department Local Government and Cultural Industries on 20 March 2020.

## **COMMENT**

The Audit and Risk Management Committee is required to review the Compliance Audit Return and note the amendment to question 9 in relation to the requirement for disclosures of interest.

After realising the error both staff members completed a Primary Return as at 1 July 2019 and in a further review of the delegations register the delegations have since been revoked and therefore they are no longer considered designated employees. Neither employee exercised their delegation.

A new procedure has been put in place to ensure new Councillors, staff members and existing staff members who become a designate employee are aware of their obligations in relation to Primary and Annual Returns.

The Shire has also initiating staff training to ensure this procedure is known and adhered to and that all staff and Councillors gain a full understanding of the obligations under the *Local Government Act 1995* with regard to full disclosure of financial and other interests.

Following the disclosure to the Department of Local Government, Sport and Cultural Industries, the Shire of Corrigin received a response from the Director of Local Government Investigations and Assessments. The correspondence acknowledged the disclosure of the breach and commended the Shire of Corrigin for committing to further training for the elected members, new and existing staff and putting procedures in place to ensure an awareness of obligations in relation to primary and annual returns.

## **STATUTORY ENVIRONMENT**

*Local Government Act 1995,*

*section 7.13(1)(i) 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.*

*Local Government (Audit) Regulations 1996*

*r. 13 sets out the statutory requirements which may be included in the compliance audit.*

*r. 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.*

*r. 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**

8.11 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 Coppen                      Seconded: Cr Dickinson**

*That Audit and Risk Management Committee*

1. *receives the report on the breach of Local Government Act 1995 s.5.75 and notes the actions taken in relation to the matters raised.*
2. *notes the amendment to the Compliance Audit Return for the period 1 January 2019 to 31 December 2019.*
3. *request the CEO inform the Department of Local Government, Sport and Cultural Industries of an error in the response to Questions 9 of the disclosure of interests section of the Compliance Audit Return 2019 due to the failure of two designated staff members to lodge an annual return for the period as detailed below.*

*Disclosure of Interest*

9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Response Submitted Yes	Correct Response No
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**Carried 6/0**


**8. NEXT MEETING**

The next meeting of the Audit and Risk Management Committee is scheduled for 8 December 2020 at 6pm.

This meeting time is subject to change depending on the auditors.

**9. MEETING CLOSURE**

President, Cr Hickey closed the meeting at 11.39am.

President:  Date: 24-3-21

